

dti

DEPARTMENT OF TRADE AND INDUSTRY

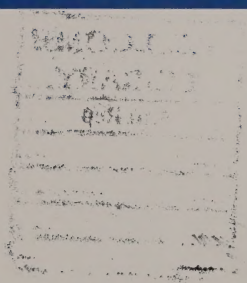
Departmental Report 2004

Cm 6216

dti

The DTI drives our ambition of 'prosperity for all' by working to create the best environment for business success in the UK. We help people and companies become more productive by promoting enterprise, innovation and creativity.

We champion UK business at home and abroad. We invest heavily in world-class science and technology. We protect the rights of working people and consumers. And we stand up for fair and open markets in the UK, Europe and the world.



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This document is part of a series of Departmental Reports (Cm 6201 to 6231) which, along with the Main Estimates 2004-05, the document Public Expenditure Statistical Analyses 2004, and the Supply Estimates 2004-05: Supplementary Budgetary Information, present the Government's expenditure plans for 2003-2006.

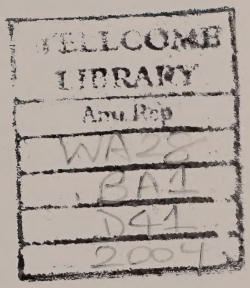
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FOREWORD

I am very pleased to be introducing my third Departmental Report as Secretary of State for the DTI. It covers my Department's activities and achievements over the past year, including progress against our PSA targets and gives a flavour for some of our activities planned in the forthcoming year[1].

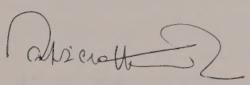
The world is going through a profound economic, social and political transformation and we cannot take our relative prosperity for granted. Whilst Britain is the fourth largest economy in the world at the moment, we are facing very real challenges from China – set to become the largest economy in the world in a generation – and India – producing a million graduates a year, many of them in science and IT disciplines. Additionally, 10 more countries are joining the EU later this year with others queuing up behind them. Technology and consumer tastes are changing so fast that product lifecycles can now be just a year from design to decline in some industries. Yet another challenge for UK industry.

And so our response to change must be innovation. Britain is a creative and ingenious nation. Today we must harness these powers more than ever as we turn our great ideas into new products and services that the world wants to buy. The DTI plays a vital role helping Britain respond to change as we develop into a high skill, high wage economy with well trained and educated employees, high calibre managers, forward looking unions and knowledgeable consumers.

Over the last year, our achievements have been many and varied and I'd like to pick out just a few. We've strengthened our domestic market frameworks with the Enterprise Act, Employment Act and further increases to the Minimum Wage. We've invested over £2bn into our science base and published the Innovation Report setting out our plans for a new strategy which will further stimulate business demand for research and development. We've strengthened our links with the business community and now have innovation and growth teams in key sectors. These ground-breaking teams bring public and private sector stakeholders together to find new ways to address the key influences affecting sector competitiveness and, ultimately, UK productivity. In Europe, we've lobbied for greater economic reform and played a key role in moving the Doha Development Round forward.

In the last year we've published our long-term strategy and a new business plan through which we will deliver our strategic priorities and business objectives. Strategic business planning is transforming the way we work in DTI. As we become more joined up, adopting a more evidence-based policy approach, we will focus on those areas of our work that make the most difference in raising UK productivity.

I am grateful to the many people, both within the Department and outside of it, who have contributed to these important developments and look forward to a future where the Department builds on them in pursuit of our vision of Prosperity for All.



The Rt Hon Patricia Hewitt MP
Secretary of State for Trade and Industry,
Minister for Women and Equality and
e-Minister in Cabinet

The Department has a Welsh Language Scheme, drawn up in accordance with the Welsh Language Act 1993 and approved by the Welsh Language Board. The full text of the Scheme is available, in both English and Welsh, at www.dti.gov.uk/about/welsh/english/english.pdf

1 Further details about DTI's business plan for 2004-05 can be found on the Department's website, www.dti.gov.uk

RHAGAIR

Pleser mawr gennyf yw cyflwyno fy nhrydydd Adroddiad Adrannol fel Ysgrifennydd Gwladol y DTI. Mae'n ymdrin â gweithgarwch a chyraeddiadau fy Adran dros y flwyddyn sydd wedi mynd heibio, gan gynnwys y cynnydd a wnaed yn ôl ein targedau yng nghyswllt Cytundebau Gwasanaeth Cyhoeddus, ac yn rhoi rhagflas o rai o'r gweithgareddau a gynlluniwn ar gyfer y flwyddyn sy'n dod[1].

Mae'r byd yn profi trawsnewidiad economaidd, cymdeithasol a gwleidyddol pellgyrhaeddol ac ni allwn gymryd ein ffyniant cymharol yn ganiataol. Er mai Prydain sydd â'r economi pedwerydd fwyaf yn y byd ar hyn o bryd, rydym yn wynebu heriau gwirioneddol gan Tsieina – y disgwylir iddi fod ag economi mwya'r byd ymhen cenhedlaeth – ac India – sy'n cynhyrchu miliwn o raddedigion y flwyddyn, llawer ohonynt ym maes gwyddoniaeth a TG. At hyn, bydd 10 yn rhagor o wledydd yn ymuno â'r UE yn nes ymlaen eleni, gydag eraill yn y cwt y tu ôl iddynt. Mae technoleg a chwaeth y defnyddiwr yn newid mor gyflym fel mai prin flwyddyn, bellach, fydd einioes cynhyrchion o'u dyluniad i'w dirywiad mewn rhai diwydiannau. Her arall eto i ddiwydiant y DU.

Ac felly mae'n rhaid inni ymateb i newid drwy flaengarwch. Mae Prydain yn genedl greadigol a dyfeisgar. Erbyn heddiw, mae'n rhaid inni harneisio'r grymoedd hyn yn fwy nag erioed wrth inni droi'n syniadau gwych yn gynhyrchion a gwasanaethau newydd y bydd ar y byd eu heisiau. Mae'r DTI yn chwarae rhan anhepgor wrth helpu Prydain i ymateb i newid wrth inni droi'n economi medrau uchel, cyflog uchel gyda gweithwyr wedi eu hyfforddi a'u haddysgu'n dda, rheolwyr o ansawdd uchel, undebau blaengar a defnyddwyr gwybodus.

Dros y flwyddyn ddiwethaf, bu'n cyraeddiadau'n niferus ac yn amrywiol, a charwn ddethol rhai yn unig. Rydym wedi cryfhau'n fframweithiau marchnad domestig drwy'r Ddeddf Menter, y Ddeddf Cyflogaeth a chodiadau pellach i'r Lleiafswm Cyflog. Rydym wedi buddsoddi dros £2bn yn ein sylfaen wyddoniaeth ac wedi cyhoeddi'r Adroddiad Blaengarwch a eglurai'n cynlluniau ar gyfer strategaeth newydd fydd yn sbardun pellach i'r galw ym myd busnes am ymchwil a datblygiad. Rydym wedi cryfhau'n cysylltiadau â'r gymuned fusnes ac mae gennym bellach dimau blaengarwch a thwf mewn sectorau allweddol. Mae'r timau arloesol hyn yn dod â budd-ddeiliaid o'r sectorau cyhoeddus a phreifat ynghyd i geisio gweld ffyrdd newydd o fynd i'r afael â'r dylanwadau allweddol sy'n effeithio ar allu'r gwahanol sectorau i gystadlu ac, yn y pen draw, ar gynhyrchedd y DU. Yn Ewrop, rydym wedi gwasgu am fwy o ddiwygio economaidd, gan chwarae rhan ganolog yn y ffordd y bwriwyd ymlaen â Chyfres Doha o Ddatblygiadau.

Dros y flwyddyn sydd wedi mynd heibio, rydym wedi cyhoeddi'n strategaeth dymor-hir a chynllun busnes newydd ar gyfer gwireddu'n blaenoriaethau strategol a'n hamcanion busnes. Mae cynllunwaith busnes strategol yn gweddnewid y ffordd y gweithiwn yn y DTI. Wrth inni fynd yn fwy cydlynol, gan fabwysiadu ymagwedd bolisi sy'n fwy seiliedig ar dystiolaeth, byddwn yn canolbwyntio ar y meysydd hynny o fewn ein gwaith sy'n gwneud y gwahaniaeth mwyaf o ran hybu cynhyrchedd y DU.

Rwy'n ddiolchgar i'r bobl niferus, o fewn yr Adran a'r tu allan, sydd wedi cyfrannu at y datblygiadau pwysig hyn ac edrychaf ymlaen at ddyfodol lle bydd yr Adran yn adeiladu ar eu sail ar drywydd ein gweledigaeth o Ffyniant i Bawb.

Y Wir Anrh. Patricia Hewitt AS
Ysgrifennydd Gwladol dros Fasnach a Diwydiant, Gweinidog Merched a Chydraddoldeb, ac e-Weinidog yn y Cabinet

Mae gan yr Adran Gynllun Iaith Gymraeg, wedi ei lunio yn unol â Deddf yr Iaith Gymraeg 1993 ac wedi ei gymeradwyo gan Fwrdd yr Iaith Gymraeg. Mae testun llawn y cynllun i'w gael, yn Gymraeg ac yn Saesneg, yn www.dti.gov.uk/about/welsh/english/english.pdf

1 Gwelir manylion pellach am gynlluniau busnes y DTI ar gyfer 2004-05 ar wefan yr Adran, www.dti.gov.uk

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INTRODUCTION

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Introduction

This report sets out the Government's Expenditure Plans for the Department of Trade and Industry (DTI) for 2003–06. It also assesses performance against targets and provides a summary of significant developments in 2003–04. The Report covers the DTI (including UK Trade & Investment) and the UK Atomic Energy Authority (UKAEA) Superannuation Funds. It supplements the Financial Statement and Budget report 2003–04.

The Department's expenditure and budgeting are managed on a full resource basis and this is reflected in the tables at Annex A. The audited consolidated resource accounts for the financial year 2002–03 were published in November 2003[2]. They provide details of the Department's activities during the 2002–03 financial year and its Balance Sheet at 31 March 2003. The Department also issued audited resource accounts for the UKAEA Superannuation Schemes for 2002–03. The National Audit Office issued unqualified audit opinions on both sets of accounts.

During the period covered by this report work on The Mutual Recognition of Qualifications (an EU Directive) transferred from the DTI to the Department for Education and Skills (DfES) (on 1 October 2003), the Redundancy Payments Service transferred to The Insolvency Service (on 1 April 2003) and the Radiocommunications Agency transferred to The Office of Communications (OFCOM) (on 29 December 2003).

Ministerial Responsibilities



Secretary of State for Trade and Industry, Minister for Women and Equality and e-Minister in Cabinet

The Rt Hon Patricia Hewitt MP

» Overall responsibility for the Department of Trade and Industry (including the Office of Science and Technology) and the Export Credits Guarantee Department.



Parliamentary Under-Secretary of State for Science and Innovation

Lord Sainsbury of Turville

» Responsible for the Office of Science and Technology, Innovation Policy, DTI interest in Education & Skills, Bioscience (except GM Foods) and Chemicals, the British National Space Centre, the National Weights and Measures Laboratory and the Patent Office.

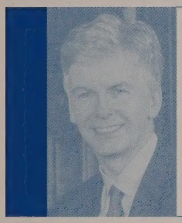
2 DTI's audited consolidated resource accounts for 2002-03 are available at www.dti.gov.uk/expenditureplan/dtiacc0203.pdf



Minister of State for Industry and the Regions and Deputy Minister for Women and Equality

The Rt Hon Jacqui Smith MP

» Responsible for Industry, the Regions, European Policy, Women and Equality and Corporate Governance, including Company Law and Investigations.



Minister of State for Trade, Investment and Foreign Affairs

Mike O'Brien MP (also holds ministerial office in the FCO)

» Responsible for trade policy, trade promotion and inward investment. Also the Export Credit Guarantee Department and FCO responsibility for north America, south Asia (including Afghanistan) and south-east Asia. As a Foreign Office Minister, he leads on the FCO's ethnic minority outreach programme.



Parliamentary Under-Secretary of State for Employment Relations, Competition, and Consumers

Gerry Sutcliffe MP

» Responsible for Employment Relations, Consumer Policy, Competition Policy, Insolvency Service and Companies House. Supports Jacqui Smith on Corporate Governance and European Policy.



Minister of State for e-commerce and Competitiveness

Stephen Timms MP

» Responsible for Energy (except Coal Liabilities, Coal Health, Fuel Poverty, and Nuclear Clean-Up in the FSU to which Nigel Griffiths leads), E-Commerce, Communications and Information Industries, Business and Postal Services (including Post Office), and corporate social responsibility.



Parliamentary Under-Secretary of State for Small Business and Enterprise

Nigel Griffiths MP

» Responsible for Small Business Service and Regulatory Reform, Export Control and Non-proliferation, the Trawlermen's Compensation Scheme, Social Enterprise, Construction Industry, consumer goods and services, GM Foods, Coal Health Claims and Coal Liabilities, Fuel Poverty and Nuclear Clean-up in the FSU.

Structure of the Department

Office of Science and Technology

The Secretary of State for Trade and Industry has overall responsibility for the Government's science policy and support for Science and Technology (S&T) as a whole in her cross-Departmental role as the Cabinet Minister for Science and Technology. She is supported in this role within the DTI by the Minister for Science and the Office of Science and Technology (OST). OST leads for Government in supporting excellent science, engineering and technology and their uses to benefit society and the economy. OST's objectives are to sustain and improve the science and engineering base; improve the performance of Government departments using S&T; optimise the benefits to UK science from EU and international activities; improve the flow of people and ideas between the science and engineering base and users; improve engagement between science and the rest of society; and ensure sound advice is given to Ministers across Government on science issues.

Strategy Unit

The Strategy Unit provides a clear, shared and coherent strategic direction based on rigorous and forward looking evidence to drive the business and a framework for business planning and performance management that enables priorities to be delivered. The Unit leads the development of thinking in the DTI, and with HM Treasury across Whitehall, on competitiveness and productivity; provides relevant economic and statistical analysis; and communicates DTI's key messages to the people inside the Department, key external stakeholders and others.

Legal Services Group

The DTI Legal Services Group aims to ensure that the Ministers and officials of the DTI and its Executive Agencies receive the highest quality legal advice they need to deliver Departmental objectives. It leads on advice on the prioritisation of the Department's legislative programme and co-ordinates the preparation of legislation. It also investigates and prosecutes offences under the Insolvency, Companies and other Acts (the Head of Enforcement chairs the Whitehall Prosecutors Group). It also has an influencing role in Whitehall in representing the Department's interests on European issues.

Business Group

Business Group plays a key role in raising productivity and so in delivering the Department's ambition of Prosperity for All. Business Group contributes to all three of the Department's strategic objectives of supporting successful business, promoting world-class science and innovation and ensuring fair markets. The Group leads on two of this year's priorities, set out in the business plan. These are ensuring that DTI's business support increases productivity and acting as the voice of business across Whitehall and Europe. Business Group can only be successful if it works with and through others: its stakeholders in business and the regions, and people in this and other Groups – particularly Innovation and Fair Markets Groups.

Innovation Group

The Innovation Group provides a focus for the Department's work to improve the overall innovation performance of the UK economy, working closely with the OST and other DTI Groups. The Group also supports the Secretary of State in driving forward the innovation agenda across Government. The Group's activities include: promoting the business benefits of innovation; supporting knowledge transfer into UK businesses from a wide range of domestic and international sources; spreading best practice in business; stimulating business investment in innovation; working with others to raise the calibre and use of management, leadership and workforce skills by businesses; encouraging innovative and internationally competitive business solutions to environmental problems and the wider challenges of sustainable development; ensuring that the intellectual property system supports innovation; and ensuring that the UK has the infrastructure needed to encourage innovation, including measurement systems and standards.

Energy Group

Energy Group's aim is to deliver a fundamental component of Prosperity for All – secure, sustainable, affordable energy. The Group works to ensure that competitive markets provide continuity and security of energy supplies at affordable prices; to promote sustainability by delivering the reductions in carbon dioxide emissions set out in the Energy White Paper; to manage energy assets and liabilities efficiently and effectively; and to ensure safety and security in the civil nuclear industry.

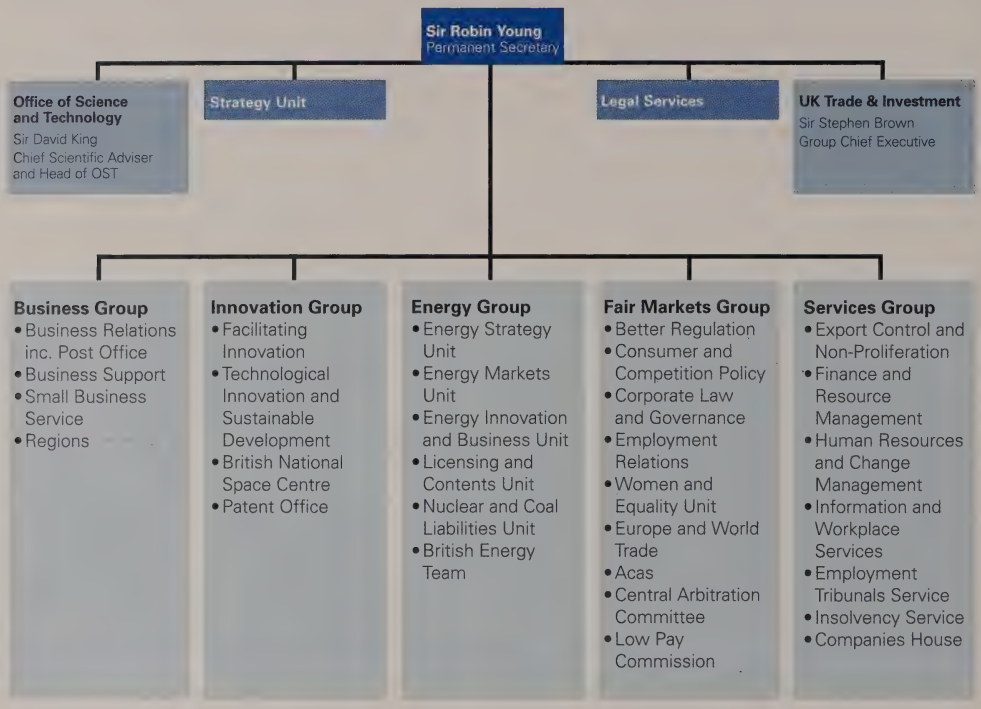
Fair Markets Group

Fair Markets has a central role in delivering Prosperity for All. It delivers choice for consumers and fosters innovation and its effectiveness drives out inflation and increases levels of employment. The group's role is to deliver a competitive framework for the growth of successful business and jobs, and a fair deal for consumers. In doing this it aims for open and dynamic markets through economic reform in Europe, free and fair world trade and an effective competition regime as well as confident participants, including empowered employees, dynamic businesses and active consumers and investors who are assured by the fairness and integrity of the market framework, well informed about rights and responsibilities, and embrace the benefits of diversity.

Services Group

Services Group is the spine of the DTI. Its vision is to enable change within the Department and to deliver excellent services. It enables the rest of the Department to function through providing internal core services like personnel, finance, accommodation and IT, and delivers services to external customers through XNP (Export Control and Non-Proliferation) and a number of individual Agencies (Companies House, The Insolvency Service and the Employment Tribunals Service).

How DTI is organised



Structure of the Report

The structure of this Report has changed from that for the Departmental Report 2003 to ensure that it matches the DTI's recently developed business objectives.

In Section A (Aims, Objectives and Targets) Chapter 1 summarises the Department's aims and objectives and sets out how the Department will achieve them. More comprehensive detail about how the department is structured and run can be found in Section C, Managing the Department. Chapter 2 covers the Department's progress on delivering its Public Service Agreement (PSA) targets.

Section B (Business Plans and Performance) is divided into 15 chapters. There is one for each of the Department's 12 Business Objectives for 2004-05 and two dealing with how the Department is managing its nuclear and coal liabilities. Wherever possible the work of the Executive Agencies and Public Bodies has been incorporated into the relevant business objective chapter, but Chapter 17 summarises these activities and sets out their respective performance against targets. Each chapter covers the Department's main achievements during 2003-04 and sets out how the Department intends to build on these in the next year and beyond.

Section C (Managing the Department) details how the Department is structured and managed, including information about its people, workplace, use of ICT, finance management and corporate governance. This section covers the corporate services, processes and activities that support the implementation of the Department's Strategy and Business Plan.

Finally, the Report includes three annexes. Annex A contains the core financial tables that are common to all Departmental reports. Annex B contains supplementary tables dealing with particular aspects of the Department, such as public appointments and contingent and nominal liabilities. Annex C contains information on managing the Department, including Electronic Service Delivery, Investment and Asset management, Public Accounts Committee reports, Environmental Performance, Health and Safety and Better Regulation.

A table showing how the areas covered by each chapter relate to the chapters in the 2003 Report can be found at the end of the Report.

Section A:

Aims, Objectives and Targets

1 DTI Strategy

2 Progress on Delivering PSA Targets

1 DTI STRATEGY

1.1 The DTI launched its new Strategy in September 2003[1], providing an overarching framework for how it will deliver its ambition of Prosperity for All. Built on a sound evidence base, the Strategy identifies a set of priorities that focuses on raising productivity in the economy as a whole and addresses areas where DTI can have the greatest impact. The Department aims to make a difference directly where it can and to work with its partners to influence outcomes where it cannot deliver on its own.

1.2 In devising the DTI Strategy, the Department carried out considerable research assessing the economic context facing the UK, now and over the next five years; the drivers of change the UK is likely to face in the future and, therefore, the areas on which its policies must focus; and its framework for intervention in the economy. The Strategy describes the challenge faced in trying to close the gap between productivity in the UK and other developed countries. It builds on the work carried out:

- in the Department's 2001 review of business support and its subsequent implementation[2];
- with DfES to develop and implement the Government's Skills Strategy[3], which aims to ensure employers have the skills to support the success of their business and employees the necessary skills to be both employable and personally fulfilled;
- to ensure secure and sustainable energy supplies through implementing the Energy White Paper[4]; and
- in developing and implementing the comprehensive innovation strategy set out in the 2003 Innovation Report[5], which aims to make the UK a world-leader in turning knowledge into new products and services.

1.3 Arising from the evidence base, five strategic priorities emerged for DTI action to raise UK productivity:

- **transferring knowledge** – helping business turn good ideas into high value products and services;
- **maximising potential in the workplace** – raising skill levels to produce high value jobs in high performance workplaces, where people can realise their full potential while maintaining a healthy work-life balance;
- **extending competitive markets** – creating fair markets at home and abroad to give consumers a fairer deal and more opportunity for new and existing business;
- **strengthening regional economies** – achieving sustainable improvements in the performance of regions by helping to develop regional economic strategies that also fit into the broader national framework; and
- **forging closer partnerships** – working in partnership within the UK, across the EU and internationally to achieve the Department's strategic priorities and to have the greatest impact on productivity.

1 The Strategy document and the supporting analysis are available at www.dti.gov.uk/about/strategy2003.html
2 Further details of how DTI is refocusing its business support can be found in Chapter 3.
3 *"21st Century Skills – Realising Our Potential"*, July 2003, Cm 5810, www.dfes.gov.uk/skillsstrategy. Further details in Chapter 11.
4 *"Our energy future – creating a low carbon economy"*, February 2003, Cm 5761, www.dti.gov.uk/energy/whitepaper/ourenergyfuture.pdf. Further details in Chapters 6 and 13
5 *"Competing in the global economy: the innovation challenge"*, December 2003, www.dti.gov.uk/innovationreport

1.4 Successful implementation will be crucial to achieving the Department's objectives, and requires a strong focus on delivery and improving performance. Three principles will guide all DTI's future delivery activities:

- **customer focus** – knowing the Department's customers and making its services easy to access and understand;
- **value for money** – prioritising to have the greatest impact, and making DTI services simple to run; and
- **continuous improvement** – managing projects from start to finish, anticipating, developing and learning. Providing excellent services at the lowest price and striving continuously to improve the quality of everything the DTI does.

1.5 These new strategic priorities and delivery principles will be mainstreamed into the Department's decision making to ensure that the DTI meets its objectives. They are reflected in how the Strategy is implemented in the DTI Business Plan[6], which is increasing resources for priorities such as knowledge transfer and maximising potential in the workplace and freeing up savings, for example through simplifying business support and rationalising finance and HR functions. The delivery of the Business Plan will be monitored quarterly as part of the Department's approach to performance management and within the framework of its Public Service Agreement with HM Treasury (HMT).

6 The DTI's business plan for 2004-05 is available at www.dti.gov.uk.

2 PROGRESS ON DELIVERING PSA TARGETS

Introduction

2.1 The Department's first PSA targets, covering 1999-2002, were set in the Comprehensive Spending Review (CSR) in 1998[1]. They were developed in the 2000 Spending Review (SR2000)[2], which set new targets for 2001-04, and further updated in the 2002 Spending Review (SR2002)[3] concluded in July 2002. These PSA targets cover the period 1 April 2003 to 31 March 2006.

2.2 The Department's 2000[4] and 2001[5] Expenditure Plans Reports (EPRs) reported on progress towards the CSR targets. The 2002 EPR[6], 2002 Autumn Performance Report (APR)[7] and 2003 Departmental Report[8] reported on progress towards both the SR2000 and CSR targets. The 2003 APR[9] reported on progress on the SR2002 PSA targets and all CSR and SR2000 targets still outstanding.

2.3 The purpose of this chapter is to provide a summary update on performance against the SR2002 PSA targets along with all outstanding targets from the earlier spending reviews. In many cases, CSR and SR2000 targets were carried over in similar form into SR2002. For ease of reference, performance against these earlier targets is summarised at the end of this chapter.

2.4 More detail on the steps the Department is taking to achieve these targets is contained in the chapters relating to the relevant DTI objectives.

PSA Target 1

Demonstrate progress by 2006 on the Government's long-term objective of raising the rate of UK productivity growth over the economic cycle, improving competitiveness and narrowing the productivity gap with the USA, France and Germany *(Joint target with HMT)*

Overall progress

On course

Current position

2.5 Data from the Office for National Statistics (ONS) published in February 2004 shows that the UK's labour productivity is showing some signs of improvement against our major competitors.

2.6 Two different measures are used to assess productivity – productivity per worker and productivity per hour. Figures 2.1 and 2.2 below show that there are some early signs of progress towards narrowing the output per worker productivity gap – for example, the UK now has a similar productivity level as Germany. However, it should be noted

1 White Paper *"Public Services for the Future: Modernisation, Reform, Accountability"* (Cm 4181) www.archive.official-documents.co.uk/document/cm41/4181/4181.htm
2 White Paper *"Spending Review 2000: Public Service Agreements 2001-04"* (Cm 4808) www.hm-treasury.gov.uk/spending_review/spending_review2000/spend_sr00_index.cfm
3 *"2002 Spending Review. Opportunity and Security for all: Investing in an Enterprising, Fairer Britain"* www.hm-treasury.gov.uk/spending_review/spend_sr02/report/spend_sr02–repindex.cfm
4 *"Government's Expenditure Plans 2000-01 and 2001-02"* (Cm 4611), www.dti.gov.uk/expenditure/
5 *"Government's Expenditure Plans 2001-02 to 2003-04 and Main Estimates 2001-02"* (Cm 5112) www.dti.gov.uk/expenditureplan/expenditure2001/
6 *"Government's Expenditure Plans 2002-03 to 2003-04"* (Cm 5416) www.dti.gov.uk/expenditureplan/expenditure2002/index.shtml
7 *"Department of Trade & Industry, Autumn Performance Report 2002"* (Cm 5731) www.dti.gov.uk/about/apr
8 DTI's Departmental Report 2003 available at www.dti.gov.uk/expenditureplan/report2003/
9 DTI's APR 2003 available at www.dti.gov.uk/about/apr/2003.pdf

Figure 2.1: International Comparisons of Productivity per worker (UK = 100)

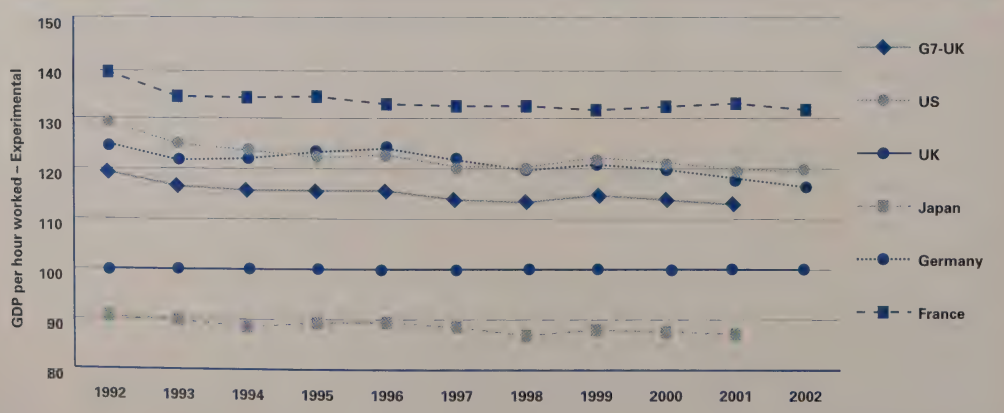


that this data is always subject to revision.

2.7 Although it is too early to say whether recent improvements in productivity are significant and sustainable, they do provide encouraging signs that the UK may be starting to make progress on narrowing the productivity gap. Nonetheless, it takes time for workers, businesses and consumers to respond to the far-reaching structural reforms and to gain the confidence to invest in capital or their own skills. Consequently, in assessing progress towards raising productivity it is more reasonable to look for changes in the *drivers of productivity*. The Government has identified five drivers of productivity – investment, innovation, skills, enterprise and competition. Some progress has also been made on all five drivers since 1999.

2.8 The Government's objective to raise the rate of productivity growth must be assessed over the economic cycle. For this reason it is too early to make a full assessment. However, recent data

Figure 2.2: International Comparisons of Productivity per hour (UK = 100)



Associated target

CSR 1998 Target 2: To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.

Assessment of progress:

On course

Current position:

The 2003 set of Competitiveness Indicators show that:

- the UK has been successful in raising prosperity;
- macroeconomic stability has improved as a result of the changes to the fiscal and monetary framework;
- UK unemployment is now the lowest in the G7;
- the UK science base remains world class;
- there have been major reforms of competition law; and
- there have been some improvements in basic schooling.

However, there remain areas where performance could improve, including:

- the UK's investment continues to lag its competitors;
- innovation, where many aspects of UK performance remain poor;
- skills – too few adults have the basic or vocational skills that allow them to engage effectively in the economy;
- the UK's regulatory environment is well regarded by G7 standards, but there are concerns over its evolution.

suggests that the UK has experienced trend productivity growth of an estimated 2.44% per year, on an output per hour basis, between 1997 and 2001 – higher than productivity growth of 2.05% over the previous economic cycle.

2.9 The Department's overarching ambition of raising productivity is a key element in its business plan objectives. The DTI Strategy identified a set of priorities that focus on raising productivity; for more detail on the DTI Strategy see Chapter 1.

PSA Target 2

Improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy

Overall progress

On course (where data is available)

Current position

Relative international performance of the UK's science and engineering base

2.10 An October 2003 report from Evidence Ltd benchmarked UK performance against a wide basket of indicators. In summary, the report indicates the strong relative international performance of the UK research base in terms of achievement, productivity and efficiency. On many indicators the UK is second only to the USA, and where it has been overtaken in individual disciplines by other nations the UK still has a more consistent performance across fields than those countries. This strong international performance has been achieved with lower average investment compared to its competitors and with a relatively lower availability of people with research training and skills.

2.11 Following the publication of the Evidence Ltd report on target metrics a basket of indicators has been agreed to measure the UK research base's performance against this target[10]. These cover aspects of scientific excellence and productivity and development of trained researchers.

The exploitation of the science base

2.12 Government is providing a strong supportive framework for scientists and business to work together to drive innovation, and is encouraging collaboration between Higher Education Institutes (HEIs) and business to ensure scientific breakthroughs are turned into commercial success. Results show this is making a real impact.

2.13 Progress against this target is judged by an increase in a basket of indicators. The most recent data for these indicators is for the academic year 2001-02 which showed that, compared with 2000-01:

Associated target

SR2000 Target 5: Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.

Assessment of progress

On course

Current position

This target is measured in three parts:

Quality – measured by the percentage, relative to the world, of the number of times that scientific papers published in the UK between 1981 and the present are cited in other papers. The most recent available figure is for 2002 where the UK had 11% of global citations. The UK's citation share rose in the 1997-2001 and 2002 period. This increase in citation share indicates an improvement in the quality of the scientific papers published.

Relevance – A key measure of 'Relevance' is the proportion of HEI funding that comes from non-governmental organisations. The 2001 figure for investment in publicly performed R&D by the business sector is higher than the 1996-2000 average. The UK is ranked first in the G7 and has a considerable lead over other countries with 30% more than Canada, which is in second place.

Cost-effectiveness – measured by the number of scientific papers published per million pounds public expenditure invested in the science and engineering base. The UK has been ranked first in the G7 for cost-effectiveness consistently in recent years.

10 Further information at www.ost.gov.uk/policy/psa_target_metrics.htm

- the number of patent applications rose 8%
- the number of patents granted fell 19%
- the number of licensing agreements fell 17%
- income from licensing intellectual property rose by 83%
- the number of spin-out firms fell by 14%
- the number of staff employed in commercialisation/industrialisation liaison offices rose 19%
- income from business rose by 3.6% and is now 10.1% of the total research grant and contract income for the HEI sector
- the number of science and engineering students undertaking business placements rose 31% to 128,900
- business representation on governing bodies – 36% of the membership of HEI governing bodies are drawn from the business sector.

The overall innovation performance of the UK economy

2.14 There are seven indicators for progress towards this target. Five of these are measured through the Community Innovation Survey (CIS) and there is no updated data, as the CIS is a four-yearly survey which will next take place in 2005. The 2001 survey provided baseline data for these targets. However for two indicators data is available annually with a lag of approximately 10-12 months. For these indicators:

- the level of business enterprise research and development expenditure (BERD) rose to 1.24% of Gross Domestic Product (GDP) in 2002 from 1.17% in 1998; and
- Organisation for Economic Co-operation and Development (OECD) data showed an increase in the level of UK patenting in 2001 in absolute and internationally relative terms. Patent data for 2002 is expected to be published in May 2004.

2.15 For more detail on the work the Department is undertaking towards this target, see Chapter 4 "Knowledge Transfer and Innovation" and Chapter 10 "Science and Engineering".

PSA Target 3

Place empowered consumers at the heart of an effective competition regime, bringing UK levels of competition, consumer empowerment and protection up to the level of the best by 2006, measuring the effectiveness of the regime by peer review and other evidence, to ensure a fair deal for consumers and business working in collaboration with the relevant regulatory agencies

Overall progress

On course

Current position

Competition

2.16 The 2001 peer review placed the UK regime third behind the USA and Germany. The implementation of the Enterprise Act 2002 will ensure that the weaknesses identified in the 2001 Peer Review are addressed by the time of the next Review in April 2004.

2.17 The Global Competition Review 2003 ranked UK joint second in the world behind the USA.

Consumers

2.18 An April 2003 survey commissioned by the Office of Fair Trading (OFT) found

that 57% of consumers say they feel informed about their rights. However of these the majority only feel fairly well informed (50%) rather than very well informed (7%) and two-fifths of the organisations surveyed that dealt with consumers had no formal customer policies. The results of the next Consumer Empowerment survey will be published in late spring 2004.

2.19 An October 2003 report by a joint team from DTI, HMT and the OFT concluded that the UK consumer policy framework was in many respects on a par with the best in the world. However the report also identified a number of areas where the UK appeared to be behind the best. Further work is now being undertaken to address these issues and develop a new consumer strategy, which is due to be completed by summer 2004.

2.20 For more detail on the work the Department is undertaking towards this target see Chapter 5 "Consumers and Competition".

PSA Target 4

Ensure the UK ranks in the top 3 most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and *(Joint target with the Department for Environment, Food and Rural Affairs (DEFRA))* improve the environment and the sustainable use of natural resources, including through the use of energy saving technologies, to help to reduce greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in carbon dioxide emissions by 2010

Overall progress

On course

Latest out-turn

Competitive Energy Markets

2.21 A study by Oxera published in September 2003[11], commissioned by the DTI, showed that the UK had one of the most competitive energy markets in the EU and G7 in 2001 and on provisional data, in 2002 as well.

Secure and reliable supplies

2.22 In November 2003 the Joint Office of Gas and Electricity Markets (OFGEM) / DTI Energy Security of Supply Working Group (JESS) reported evidence of a significant market response to National Grid Transco's (NGT's) indication in the autumn that they would like greater generating capacity available. Plant was brought back into service from mothball, and the plant margin rose from around 16%, as reported in NGT's July 2003 update[12], to over 20% for the winter period. This is similar to the level last year and to the level in the mid 1990s.

Fuel poverty

2.23 Progress against the Government's fuel poverty targets is published in an Annual Progress Report. The overall target is to seek an end to the problem of fuel poverty and in particular to seek an end to fuel poverty for vulnerable households by 2010. Recent progress is as follows:

- The number of vulnerable households in fuel poverty in England has fallen from around 3m in 1996 to around 1.4m in 2001;
- The number of households in fuel poverty in the UK has fallen by more than half since 1996, down to around 2.5m on current information.

11 See www.dti.gov.uk/energy/gas_and_electricity/competitiveness_structure/oxera_report.pdf
12 *"Update on Winter 2003/04.* Full text available at www.nationalgrid.com/uk/indinfo/balancing/pdfs/Winter_2003_2004_Outlook.pdf

2.24 The Government aims to publish its next Annual Progress Report in March 2004.

Sustainable use of natural resources

2.25 The Environment Agency carried out a survey which looked at the total amount of industrial and commercial waste going to landfill in 1998-99. Data for the next survey is currently being collected, to report by March 2004.

2.26 Annual data on industrial and commercial waste sent to licensed landfill sites is also available and is collected by the Environment Agency. The latest data from the landfill site returns show a reduction in industrial and commercial waste to landfill of 8%[13] between 1998-99 and 2000-01. So, tentatively, this target is on course to be met, but this is still subject to confirmation of the data.

Greenhouse gas emissions

2.27 Total greenhouse gas emissions in the UK were about 12.3% below1990 levels in 2001. Over the same period:

- carbon dioxide emissions fell by 5.3%;
- methane emissions fell by 40%; and
- nitrous oxide emissions fell by 37.6%.

2.28 The UK has decided to use 1995, rather than 1990, as the base year for emissions of fluorinated gases, in accordance with the provisions of the Kyoto Protocol, because the data are more reliable. Between then and 2001:

- hydrofluorocarbon (HFC) emissions fell by 42.9%;
- perfluorocarbon (PFC) emissions fell by 35.5%; and
- sulphur hexafluoride (SF_6) emissions increased by 55.5%.

2.29 For more detail on the work the Department is undertaking towards this target, see Chapter 6 "Security of Energy Supply" and Chapter 13 "Sustainability and the Environment".

PSA Target 5

Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries *(Joint target with the Department for International Development (DfID) and the Foreign and Commonwealth Office (FCO))*

Overall progress

Off track

Current position

2.30 The failure of the World Trade Organisation's (WTO's) Cancun Ministerial (10-14 September 2003) is a setback. The differences in views between WTO members means that reaching an agreement by the original deadline of 1 January 2005 will be extremely difficult. But negotiations in the round are likely to continue, albeit at a slower pace than formerly expected, since most countries, developing and developed, are committed to pursuing the agenda set out when the Doha Development Agenda (DDA) round was launched in November 2001.

2.31 There have been some achievements:

- Cancun acted as a spur towards the conclusion of an agreement on Common Agricultural Policy (CAP) reform in June 2003;
- an agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) / access to medicines – for which Cancun acted as a crucial spur to final agreement;

13 Industrial and commercial waste to open gate and restricted user landfill sites, excluding the North West region for which there is no breakdown between municipal and industrial and commercial waste data in 1998-99.

- indications of flexibility at Cancun, for example by the European Commission on agriculture and on the Singapore issues – trade facilitation, transparency in government procurement, competition and investment.

2.32 For more detail on the work the Department is undertaking towards this target, see Chapter 7 "Free and Fair World Markets".

PSA Target 6

Help to build an enterprise society in which small firms of all kinds thrive and achieve their potential, with (i) an increase in the number of people considering going into business, (ii) an improvement in the overall productivity of small firms, and (iii) more enterprise in disadvantaged communities

Overall progress

Outcomes have been mixed.

Current position

An increase in the number of people considering going into business

2.33 In 2001, 12% of adults in England were considering starting a business or becoming self-employed. The next set of data, for 2003, will be available in April 2004.

An improvement in the overall productivity of small firms

2.34 SMEs' productivity (gross value added per employee) increased by 5.9% between 2000 and 2001 (basic prices). All firms' productivity increased by 4.5% (basic prices). Therefore small firms' productivity increased at a faster rate than all firms. This is the second year running that SMEs' productivity growth has exceeded all firms' productivity growth, and the gap between the growth rates has also widened.

More enterprise in disadvantaged communities

2.35 In 2002, there were 29 VAT registrations per 10,000 resident adults in the 20% most deprived wards in England, compared with 46 VAT registrations per 10,000 resident adults in the 20% least deprived wards. This is a gap of 37%,

Associated target

CSR1998 Target 3: (i) To increase the productivity and profitability of SMEs assisted by Business Link partnerships and (ii) to show year-by-year improvements in the quality of services delivered under the BL brand.

Assessment of Progress

(i) not yet assessed

(ii) met

Current position

(i) There is a lag inherent in measuring impact due to the methodology employed prior to 2003-04. The latest available data are for clients assisted in 1999-2000, which was provided in 2002-03, and this is the baseline position. From 2004-05, a new methodology will be in place to assess progress on this target.

(ii) This target has been met (final assessment in APR 2003).

Associated target

CSR1998 Target 4: To secure an increase in the number of high growth business start-ups.

Overall progress

On course

Latest out-turn/current position

Progress towards this target is assessed by measuring the number of firms with a turnover above £1m, or 10 employees, 4 years after start-up. The indicator used to measure this is the number of firms registering themselves for VAT and still trading 4 years later. This 4-year time period needed to produce this measure means that this is the first year in which progress can be assessed.

Year of business birth (as measured by VAT registration)	Number of businesses still trading four years later
1994	12,300
1995	11,800
1996	11,100
1997	12,200
1998	12,200
1999	12,900 (provisional)

which is wider than in 2001 (34%) but similar to the gap in 2000 (37%). The VAT registration rate in the most deprived wards has changed little over the period – the changes in the gap are mostly due to fluctuations in VAT registration rates in the least deprived wards.

2.36 For more detail on the work the Department is undertaking towards this target, see Chapter 8 "Enterprise for All" and Chapter 12 "Finance for Investment".

PSA Target 7

Make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates between the regions, defining measures to improve performance and reporting progress against these measures by 2006 *(Joint target with the Office of the Deputy Prime Minister (ODPM) and HMT)*

Overall progress

On course

Current position

2.37 Considerable progress has been made in reviewing regional policy instruments of ODPM/HMT/DTI and other Government Departments (OGDs). The nine Government Offices with Regional Development Agencies (RDAs) and regional chambers have consulted other regional stakeholders on evidence on the drivers of regional performance in their region and for explanations of economic disparities within the region. This has led to the production of the Regional Emphasis Documents (REDs) which are feeding into the Spending Review process.

2.38 Six key drivers of economic growth have been identified: skills; investment; innovation; enterprise; competition and employment. Close working links have been developed with OGDs (in particular DfES, the Department of Work and Pensions (DWP) and the Department for

Transport) which will have an important role in the delivery of this target. Progress has been made to address regional disparities across these drivers. For example:

- Regional Skills Partnerships will be established from April 2004 with the aim of better co-ordination of the supply and demand for skills in each region;
- OFT has been looking at the operation of markets at regional and local level;
- the RDAs' Regional Economic Strategies outline measures designed to increase the level of innovation in their regions;
- the Government has established RDA-led Business Link pilots to explore the scope for more effective business support at the local level.

2.39 Preliminary identification of six to ten key measures to improve regional economic performance will be published by July 2004. In addition, a programme of research is being conducted to improve the evidence base on the drivers of productivity, to assess the non-government factors underlying regional economic performance and to review comparative international evidence.

2.40 For more detail on the work the Department is undertaking towards this target see Chapter 9 "Strengthening Regional Economies".

PSA Target 8

Make the UK the best place in the world for e-business, with an extensive and competitive broadband market, judged using international comparative measures of business uptake and use of information and communication techniques

Overall progress

Outcomes have been mixed

Current position

Broadband

2.41 The Government's target is for the UK to have the most extensive and competitive broadband market in the G7 by 2005. In September 2003 Analysys Consulting's assessment gave the UK an overall ranking of third place in the G7

Associated target

SR2000 Target 3: Make and keep the UK the best place in the world to trade electronically, as measured by the cost of internet access and the extent of business-to-business and business-to-consumer transactions carried out over e-commerce networks.

Overall progress

Some slippage

Latest out-turn/current position

For residential consumers, UK internet prices are cheaper than all countries for peak unmetered and metered services. For off-peak services UK prices are below average and for business consumers, UK prices for unmetered services are well below those in France and Sweden, but above those in Germany and the USA.

The 2003 IBS shows that UK business connectivity has remained stable at around 85%, while there have been improvements in the method and speed of connectivity. There has been a steady increase in the number of medium and large businesses using the internet to trade online (to 38%) but a decline in numbers by micro and small businesses.

for competitiveness and extensiveness. At present some 80% of the UK population have access to mass-market terrestrial broadband services, with take up increasing and currently at over 30,000 new subscribers a week.

ICT take-up and use

2.42 The 2003 International Benchmarking Study (IBS) 2003 ranked the UK as seventh in the world in its take up and use of information and communication technologies (ICT). Connectivity levels have stabilised but the emerging evidence suggests that to maximize the benefits of ICT investment there does need to be greater integration of use within the company and the necessary process and organisational change to effectively exploit the technology.

2.43 For more detail on the work the Department is undertaking towards this target, see Chapter 3 "Improving Business Performance".

PSA Target 9

By 2006, working with all departments, bring about measurable improvements in gender equality across a range of indicators, as part of the Government's objectives on equality and social inclusion

Overall progress

Outcomes have been mixed

Current position

2.44 This is a cross-cutting target for which much of the delivery rests with OGDs. Progress towards this target is measured against a basket of indicators derived from Service Delivery Agreements for the lead department. The eight measurable indicators are set out in the Women and Equality Unit Report, "*Delivering on Gender Equality*"[14].

2.45 These indicators have different reporting periods and not all have yet been assessed as, for some, the measures and baselines have just been established. For those indicators where progress has been measured:

- **Flexible Working** – the DTI conducted two extensive work-life balance surveys at the beginning of 2003[15]. The preliminary results of the survey of employees have been published, with the full results due to be published shortly. The survey of employers has been published in full. These surveys provide the baseline for this target;
- **Childcare** – actual progress to March 2003, plus local authorities' individual targets for 2003-04, would lead to 919,000 new places by March 2004. This represents 1,670,000 children helped (104% of target);
- **Equal Pay Audits** – an interim indicator for progress on the number of large organisations that have carried out pay reviews is that the pay gap between men and women has narrowed slightly;
- **Government Pay Reviews** – all Government departments and agencies have completed pay reviews and developed action plans. The Cabinet Office has also completed an equal pay review for the Senior Civil Service (SCS);[16]
- **Women in the Senior Civil Service** – data for women in the SCS and women in top management posts was collected in October 2003. This will be published in April 2004;
- **Women in Under-represented Sectors** – in December 2003 the DTI published baseline (2002) data for the

14 Report available at www.womenandequalityunit.gov.uk/research/Delivering_on_Gender.pdf
15 Further information at www.dti.gov.uk/er/emar/index.htm
16 Further information at www.cabinet-office.gov.uk/civilservice/scs/equalpay.htm

representation of women on Science, Engineering and Technology (SET) related boards and councils.[17]

2.46 For more detail on the work the Department is undertaking towards this target, see Chapter 11 "Maximising Potential in the Workplace".

PSA Target 10

In the 3 years to 2006, taking account of the economic cycle, increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities *(Joint target with DWP)*

Overall progress

Outcomes are broadly unchanged

Current position

2.47 Outcomes are broadly unchanged, as preliminary data indicates the gap is not yet closing, which suggests a degree of slippage in progress towards this target. This target's baselines according to Labour Force Survey data are an ethnic minority employment rate of 58.3% and an employment rate gap of 16.7 percentage points with the overall population (average of the four quarters to spring 2003).

2.48 Two quarters on, the ethnic minority employment rate stands slightly higher at 58.7% and the gap with the overall employment rate has reduced to 16.3 percentage points. Changes of this scale could be due to sampling errors and therefore are not considered to be statistically significant.

2.49 A Ministerial Task Force was established in September 2003 to implement the 28 recommendations of the report *"Ethnic Minorities and the Labour Market"*[18] (March 2003). A cross departmental approach has been established, with the DTI as one of a number of departments undertaking work programmes towards the achievement of these recommendations, although responsibility for the delivery of this PSA target continues to rest jointly with DTI and DWP.

2.50 Within the DTI, there is substantial work under way to establish base line data on workplace discrimination and to develop and further refine policies and procedures to tackle it.

2.51 For more detail on the work the Department is undertaking towards this target, see Chapter 11 "Maximising Potential in the Workplace".

PSA Target 11

Deliver a measurable improvement in the business performance of UK Trade & Investment's customers; and maintain the UK as the prime location in the EU for foreign direct investment *(Joint target with FCO)*

2.52 It is important to note that responsibility for PSA target 11 lies with UK Trade & Investment (formerly British Trade International). For more detailed information on this target, please see the organisation's Departmental Report[19].

Overall progress

2.53 The results are still in the early stages and assessment is made over a two-year period but the first two indicators are on course to be met.

17 Further information at www2.set4women.gov.uk/set4women/statistics/07_figtabs.htm
18 Report available at www.number10.gov.uk/su/ethnic%20minorities/report/pdf.htm
19 Available at www.uktradeinvest.gov.uk/

Current position

Deliver a measurable improvement in the business performance of UK Trade & Investment's customers

2.54 This is measured using three sub-targets. For the first two of these there are interim survey results for the first three quarters of 2003. For the third, data comes from a survey which was carried out in January/February 2004:

(i) For new-to-export firms that received assistance, 37% (Q1), 33% (Q2) and 37% (Q3) improved their business performance (target 30%);

(ii) For established exporters that received assistance, 45% (Q1), 43% (Q2) and 42% (Q3) improved their business performance (target 50%);

Note: These results are in the early stages as assessment is made over a two-year period.

(iii) For firms receiving assistance to win major overseas projects, 58% reported that UK Trade & Investment's support was a significant influence on their performance (target 70%).

Note: The study indicated that a major reason for the outcome was the ending of the overseas project fund although the long term nature of the assistance given means that firms may have difficulty in remembering and identifying the source of the assistance.

Maintain the UK as the prime location in the European Union (EU) for foreign direct investment *(Joint target with FCO)*

2.55 The inward investment PSA target is supported by a single performance indicator: the UK's share of the stock of EU foreign direct investment, as recorded in the United Nations Conference on Trade and Development (UNCTAD) World Investment Report, to be the best in Europe on a year-by-year basis.

2.56 Latest data from UNCTAD, published September 2003, shows that the target has been achieved. The UK's market share of accumulated EU stock in 2002 is estimated to be 22.5%, compared to its nearest rival competitor Germany with 16%.

2.57 In 2002-03 UK Trade & Investment recorded 709 investment projects from overseas, generating 34,000 new jobs in the UK. Of those projects UK Trade & Investment played a major role in 114 decisions creating and/or safeguarding over 7,300 jobs.

2.58 For more detail on the work the Department is undertaking towards this target, see Chapter 3 "Improving Business Performance".

PSA Target 12

Achieve value for money improvements of 2.5% a year across the department as measured by a basket of indicators

Overall progress

Not yet assessed.

Current position

2.59 Twelve indicators to measure progress towards this target are under development, covering substantial elements of DTI programme expenditure, HQ administration costs and expenditure by DTI's agencies. Each of these indicators would provide the basis for a value for money sub target reflecting the overall 2.5% a year real terms figure set by PSA Target 12. Between them, they would cover the

Associated target

SR2000 Target 12: Achieve value for money improvements of 2.5% a year across the department.

Status:

On course

Performance:

Provisional results for value for money improvements across Departmental operations under this target amounted to 4.5% in 2002-3. The main improvements came from efficiencies in the Department's procurement practices and from improving the use of the Department's accommodation to lower costs per head.

majority of DTI's programme and administration cost expenditure within the Departmental Expenditure Limit (DEL).

2.60 A full technical note for this target, setting out the indicators and baseline performance against which progress is to be measured, will be published shortly[20].

2.61 For more detail on the work the Department is undertaking to improve efficiency see Chapter 18 "Managing the Department".

Summary Performance against previous Spending Reviews' Public Service Agreements

(I) Comprehensive Spending Review 1998

CSR Target	Performance
1. To put in place policies to narrow the productivity gap relative to other industrialised countries over the cycle.	**Partially met – outside period** The final assessment was set out in APR 2002. This target is carried forward in similar terms in SR 2002 PSA Target 1. For detail see page 4.
2. To secure improvements in performance against a set of competitiveness indicators to be developed and published annually from 1999.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 1.
3. To increase the productivity and profitability of SMEs assisted by Business Link partnerships and to show year by year improvements in the quality of services delivered under the Business Link brand.	**Met in part** This target is carried forward in similar terms in SR 2002 PSA Target 6.
4. To secure an increase in the number of high growth business start ups.	**On course** There is a four-year time lag in the measurement of this target.
5. To improve the overall international ranking of the science and engineering base in terms of quality, relevance and cost-effectiveness.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 2.

20 At www.dti.gov.uk/about/psa/psa_target_12.htm

(i) Comprehensive Spending Review 1998 (continued)

CSR Target	Performance
6. To increase by 50% the 1997-98 number of companies spun out from universities by 2001-02.	**Met** The final assessment was set out in APR 2002.
7. To increase from 350,000 to 1.5m the number of UK SMEs wired up to the digital market place by 2002.	**Met** The final assessment was set out in APR 2002.
8. To make the UK the best place in the world to trade electronically by the end of the Parliament.	**Not met** The final assessment was set out in APR 2002. This target is carried forward in SR 2002 PSA Target 8.
9. To improve support for exporters, raise the quality of service, generate additional exports and enhance the business image of the UK.	**Met** The final assessment was set out in APR 2002. This target is carried forward in SR 2002 PSA Target 11.
10. To maintain the UK as the prime location in the EU for foreign direct investment.	**Met** The final assessment was set out in APR 2002. This target is carried forward in SR 2002 PSA Target 11.
11. To maintain or improve levels of energy security, diversity, sustainability and competitive energy prices.	**On course** This target is carried forward in SR 2002 PSA Target 4.
12. To improve UK performance in transposition of EU Single Market measures to enable 98% of measures to have been transposed into UK law by end 2000.	**Not met** The final assessment was set out in APR 2002.

(ii) Spending Review 2000

SR 2000 Target	Performance
1. Improve UK competitiveness by narrowing the productivity gap with the USA, France, Germany and Japan over the economic cycle. *(Joint target with HMT)*	**Outcomes broadly unchanged** This target is carried forward in similar terms in SR 2002 PSA Target 1.
2. Help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more enterprise in disadvantaged communities.	**Outcomes have been mixed** This target is carried forward in similar terms in SR 2002 PSA Target 6.
3. Make and keep the UK the best place in the world to trade electronically, as measured by the cost of internet access and the extent of business-to-business and business-to-consumer transactions carried out over e-commerce networks.	**Some slippage** This target is carried forward in similar terms in SR 2002 PSA Target 8.

(ii) Spending Review 2000

SR 2000 Target	Performance
4. Improve the economic performance of all regions measured by the trend in growth of each region's GDP per capita. *(Joint target with DETR [ODPM])*	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 7.
5. Improve the overall international ranking of the UK's science and engineering base, as measured by international measures of quality, cost-effectiveness and relevance.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 2.
6. Increase the level of exploitation of technological knowledge derived from the science and engineering base, as demonstrated by a significant rise in the proportion of innovating businesses citing such sources.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 2.
7. Have the most effective competition regime in the OECD, as measured by peer review, and achieve a fairer deal for consumers, as measured by the level of consumer knowledge and understanding of rights and sources of information.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 3.
8. Ensure competitive gas and electricity prices in the lower half of the EU/G7 basket, while achieving security of supply and social and environmental objectives.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 4.
9. Improve the environment and the sustainable use of natural resources, including by reducing greenhouse gas emissions by 12.5% from 1990 levels and moving towards a 20% reduction in CO2 emissions by 2010. *(Joint target with DETR [DEFRA])*	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 4.
10. Deliver a measurable improvement in the business performance of Trade Partners UK customers. *(Joint target with FCO)*	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 11.
11. Maintain the UK as the prime location in the EU for foreign direct investment. *(Joint target with FCO)*	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 11.
12. Achieve value for money improvements of 2.5% a year across the Department as measured by a set of indicators.	**On course** This target is carried forward in similar terms in SR 2002 PSA Target 12.

Section B:

Business Plans and Performance

3 Improving Business Performance
4 Knowledge Transfer and Innovation
5 Consumers and Competition
6 Security of Energy Supply
7 Free and Fair World Markets
8 Enterprise for All
9 Strengthening Regional Economies
10 Science and Engineering
11 Maximising Potential in the Workplace
12 Finance for Investment
13 Sustainability and the Environment
14 Corporate Activity Framework
15 Assets and Liabilities
16 Nuclear Security and Export Control
17 The Executive Agencies

3 IMPROVING BUSINESS PERFORMANCE

Introduction
PSA Targets 8 and 11
Plans for 2004-05
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Business Relations
E-Business
Winning Business in International Markets
Improving Service Delivery
World Class Communications

Introduction

The challenge for the Department is to "improve business performance to raise competitiveness at home and abroad".

3.1 The closure of the UK's productivity gap with its major competitors (particularly France, Germany and the USA) is central to the DTI's Strategy and encouraging and supporting successful business is therefore an important function of the Department. This involves engaging effectively with key businesses and business organisations to help them improve their performance as well as continuing to champion industry's legitimate interests and acting as a credible voice for business within Government.

3.2 The DTI also works with UK Trade & Investment[1] (formerly British Trade International) to enhance the competitiveness of companies in the UK. UK Trade & Investment helps to build international business opportunities for companies in the UK through its global network. Every year it helps thousands of companies to take their first steps in the world of international trade, to move further up the ladder of international business experience and, for overseas customers, to benefit from the strengths of the UK economy.

PSA Targets 8 and 11

3.3 Some of the work carried out within this business objective contributes to the Department's PSA target 8 (SR2002)[2], to make the UK the best place in the world for e-business, with an extensive and competitive broadband market, and PSA target 11 (SR2002)[3], to deliver a measurable improvement in the business performance of UK Trade & Investment's customers and maintain the UK as the prime location in the EU for foreign direct investment *(a joint target for the Department with FCO).*

Plans for 2004-05

3.4 Evidence gathered during the DTI reviews in 2001 showed that the DTI needed to focus its business relations activity on key companies and sectors where it could make the most difference, and that it needed to rationalise and re-focus its business support. During 2004-05 the DTI will therefore consolidate the improvements in the business relations activity achieved over the last two years and will further upgrade its capacity for analysis

1 Further information about UK Trade & Investment and its activities available at www.uktradeinvest.gov.uk/
2 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_8.htm
3 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_11.htm

of the issues facing each sector. The Department is also exiting from existing best practice support schemes and, in April 2004, introducing a small number of new Business Support products, which will focus on the ways industry can compete effectively in existing and new markets.

3.5 The Department will improve the cost effectiveness of business access to the full range of Government and other business support services and increase the take up of these services, especially by small businesses. The Department will implement the Government strategy for building the capacity for Small and Medium Enterprise (SME) growth; develop the strategic impact of the Business Link brand and improve the effectiveness of Business Link Operators (BLOs). This will include developing and refining the new Businesslink.gov.uk website[4], which provides objective and authoritative information and support to business, and putting 20-30 new International Trade Advisors in the front line.

3.6 To further develop a UK communications infrastructure that helps UK firms to compete more effectively in domestic and overseas markets, the Department will implement the Broadband Britain Action Plan, which aims to have the most competitive and extensive Broadband market within the G7, by 2005.

3.7 In addition, the mobile communications market will be further developed, including 3G and wireless internet, by supporting the launch of new mobile services and will move towards Digital TV (DTV) switch-over by taking forward the DTV action plan and its successor, so as to release at least 112Mhz of spectrum currently allocated to analogue television services.

3.8 The DTI will continue to influence public procurers to adopt a true "best value" approach and encourage innovation in procurement to deliver better procurement outcomes for government and business; to improve competition and supplier diversity in public sector procurement; and to address under-representation of SMEs in the public sector market place.

3.9 The Department will implement the Better Regulation Task Force

HIGHLIGHTS OF 2003–04

- Business.gov project made it easier for business customers to access a range of Government Services
- UK Trade & Investment helped to develop over 1,150 successful new exporters and 2,900 firms to successfully trade in markets new to them
- A number of Innovation and Growth Teams took forward new initiatives to improve sector productivity
- The DTI worked with DEFRA to secure improvements for the UK to the proposals for new EU industrial chemicals regulation
- Broadband made available to over 80% of UK households and more than 3 million have subscribed
- Manufacturing Advisory Service has carried out over 4,500 diagnostic consultations in its first 2 years

4 www.businesslink.gov.uk/bdotg/action/home

(BRTF)/Small Business Council (SBC) recommendations on SME's and public sector procurement[5] including the development of a Supplier Route to Government web portal for advertising public sector contract opportunities and facilitate the engagement of DTI business and other stakeholders in taking forward implementation of the Office of Government Commerce (OGC) Action Plan on Competition and Capacity Planning in Public Procurement[6].

Achievements in 2003-04

Business relations

3.10 The DTI works with individual companies, business support organisations and sectors to identify and understand the key issues affecting UK productivity, help industry improve its performance and act as a credible voice for business within Government. In doing so, the Department works closely with all its partners, especially in the regions. Some examples are detailed below.

INNOVATION AND GROWTH TEAMS

3.11 The Department supported a number of Innovation and Growth Teams (IGTs) for a range of sectors. These are cross-functional, time-limited teams, with a broad membership drawn from industry, Government and other major stakeholders. This approach has been very successful at looking strategically at a specific sector of industry, including identifying the key issues which will shape the future of their industry and how the UK can best respond to them. Examples of the early outcomes are:

3.12 The Automotive IGT[7], which was the first to be set up and reported in 2002, saw most of its recommendations implemented during 2003, including the launch of the Low Carbon Vehicle Partnership, the Automotive Academy and the Supply Chain Groups programme.

3.13 The Chemicals IGT[8] resulted in a new Chemistry Leadership Council being established in 2003 to take forward the recommendations from the IGT's report. Groups have been set up by the Council to look at issues including: innovation priorities and the establishment of a Chemicals Innovation Centre; skills; and a 'Futures Group' looking at sustainable development, reputation and self-regulation.

3.14 The Environmental Goods and Services IGT[9] (which published its report in November 2002) set up an industry-led Environmental Innovations Advisory Group, which is currently taking forward four strands of work to enable innovation in the environmental sector.

3.15 The Aerospace IGT[10] published its report in June 2003 and began work on implementing its recommendations. Five working groups have been established to drive forward progress on technology, process excellence, skills, socio-economic environment, and environment and safety issues. A well-attended conference was held in December 2003, at which the groups' action plans were published.

3.16 The Bioscience IGT[11] published its report in November 2003, following which a Bioscience Leadership Council is being created to oversee the implementation of the IGT recommendations and to continue assessing the changing needs of the sector.

5 Report available at www.sbs.gov.uk/content/sbc/sme-pubsect-procurement.pdf
6 Available at www.dti.gov.uk/about/procurement/actionplan.htm
7 Further details of the IGT and its activities available at www.autoindustry.co.uk/companies/aigt
8 Further details of the IGT and its activities available at www.dti.gov.uk/cigt
9 Further details of the IGT and its activities available at www.jemu.org.uk/igt/
10 Further details of the IGT and its activities available at www.sbac.co.uk/aeigt/
11 Further details of the IGT and its activities available at www.dti.gov.uk/bio-igt/bio-igt-index.html

3.17 A new IGT for the Electronics sector[12] was launched in May 2003 and is expected to report in mid 2004. The on-going Software and Digital Content IGT[13] is expected to report some deliverables in April 2004. In the retail sector, a similar body – the Retail Strategy Group[14] – is due to publish a final strategy in March 2004.

3.18 In construction, the Strategic Forum[15], and the new Construction Research and Innovation Strategy Panel (CRISP) provide an ongoing strategy for construction industry improvement. CRISP[16] published a list of innovation priorities for the sector in September 2003.

CROSS-CUTTING ISSUES

3.19 The Department has identified a number of cross-cutting issues which are of concern to industry, but where others in Whitehall or Europe have lead responsibility, eg transport, planning, health and safety, taxation, etc. The aim has been to develop a strategic and long-term approach to influencing these broad policy areas for the benefit of UK business. For example, in the area of regulation, the DTI worked closely with DEFRA (the lead department) in securing a number of improvements to the proposals adopted by the European Commission for a new industrial chemicals regulation (known as REACH – Registration, Evaluation and Authorisation of Chemicals). These have been aimed at ensuring that the REACH regime is an efficient, cost-effective and workable system for the protection of human health and the environment and maintains the competitiveness of the chemical industry and downstream users.

SECTOR COMPETITIVENESS

3.20 The Department has helped mobilise the UK leisure marine industry, a growing and high-value, high-export industry, to gain a larger slice of the £4.5bn global market for super-yachts. Super-yacht UK, a new industry-led initiative, was launched by Jacqui Smith at the Monaco boat show and will provide a headline banner under which shipbuilders and equipment suppliers can work together to develop the industry and market themselves. This sort of national initiative is welcomed by industry as having a real effect on the future competitiveness of a national industry.

3.21 The Department is making a significant difference in developing mutually beneficial relationships between UK retailers and Whitehall: an action plan is being agreed to increase the competitiveness and productivity of the retail sector.

3.22 The Department has been influential with business in shaping much of the Advisory Council for Aeronautics Research in Europe (ACARE) Strategic Research Agenda for Europe to meet challenging competitiveness and society goals for European aerospace by 2020. The ACARE recommendations are influential in shaping calls for EU Framework programmes in aeronautics.

3.23 The Department has taken forward various initiatives for the metals sectors including a joint initiative with Yorkshire Forward (the Regional Development Agency (RDA)), working with engineering and special metals companies in the Yorkshire region, through the National Metals Technology Centre, NAMTEC, to identify the opportunities open to them. The

12 Further details of the IGT and its activities available at www.dti.gov.uk/industries/electronics/eigt.html
13 Further details of the IGT and its activities available at www.dti.gov.uk/industries/software/partnerships.html
14 Further details of the IGT and its activities available at www.retailstrategygroup.org.uk/
15 Further details available at www.strategicforum.org.uk
16 Further details available at www.ncrisp.org.uk

Department also organised a Steel Workshop following a Trade and Industry Select Committee report into the UK Steel Industry[17].

3.24 A successful Better Buildings Summit was held on 21 October 2003. The Sustainable Buildings Task Group[18] was subsequently set up to carry through follow-on work from the Summit on future activities likely to affect the construction industry and consider new areas of interest. The Group is due to report around Easter 2004.

MANUFACTURING ADVISORY SERVICE

3.25 The Manufacturing Advisory Service (MAS) has achieved impressive results as a major source of support and advice, particularly for smaller manufacturers, during difficult times. Its popularity is due to its practical, hands on approach, using professionally qualified advisors. So far the MAS has carried out over 4,500 diagnostic consultations. Over 1,000 firms have opted to carry out further in-depth projects with MAS in order to help drive up their productivity and competitiveness. Latest figures show that productivity has improved on average by 27%, while the total added value to UK firms that have used the service since its launch in April 2002 is approaching £30m.

INDIVIDUAL COMPANIES

3.26 The Department played a pivotal role in seeing the Hawk 128 selected as the UK's future Advanced Jet Trainer, safeguarding the Hawk production line at BAE Systems, Brough (c2,000 jobs) and positioning BAE Systems well to win further export success for the next generation of this highly successful aircraft.

3.27 Through its knowledge of State Aids, the Department was able to provide crucial advice that contributed to Abbott's (a biotechnology company) decision to invest in Dartford, in the UK rather than in Ireland. They will invest £39m to create 125 new high-skill jobs in a state of the art, high technology facility in bio manufacturing.

3.28 The Department's brigading of diplomatic and political support, together with funding from UK Trade & Investment, enabled Amec to win the Shell Bonga offshore oil project in Nigeria against tough international opposition. This was worth $400m in goods and services in the UK and secured 4,000 jobs in the North East of England.

DESIGN COUNCIL

3.29 The Design Council[19] is an executive Non-Departmental Public Body (NDPB), funded by Grant-in-Aid by the Department. The Design Council's mission is to inspire and enable the wider and better use of design, a critical component for productivity and innovation, throughout the UK economy.

3.30 Through a series of demonstration projects, the Design Council worked with selected businesses to embed design in their business processes and to track the resulting improvements in business performance. Preliminary results are encouraging with participating companies reporting a range of benefits flowing from the use of design. These benefits range from increased new business, product diversification and brand differentiation, improved product development processes and increased added value. In addition, the Design Council worked with a University Technology Transfer Office to demonstrate how, by using design, new

17 Report at www.publications.parliament.uk/pa/cm200203/cmselect/cmtrdind/1103/110302.htm
18 Further information at www.defra.gov.uk/news/2003/031121e.htm
19 Details of the Design Council and its activities can be found at www.designcouncil.org.uk/

technologies could be more rapidly turned into customer-focused products.

3.31 In 2003, under a new Chief Executive, the Design Council developed a new Corporate Plan, setting out a new strategic direction, which is closely aligned to the DTI's Innovation Report, particularly in the areas of Knowledge Transfer, Commercialising Technology and improving Public Services.

E-Business

Business.gov

3.32 Business.gov[20] was completed on time, and on budget, bringing the Small Business Service (SBS), the Department, the Inland Revenue (IR), HM Customs and Excise (HMCE), Companies House (CH) and OGDs together online for business customers.

UK online

3.33 The UK online for business website had over 154,000 unique users with over 30,000 registered users. The Economist Intelligence Unit described UK online for business as one of the world's strongest and most innovative government projects supporting e-business. From next year, it will be integrated into the new business support products to help improve access to best business practice.

3.34 UK online for business has agreed and finalised eight action plans with key partners (e.g. BT, HP, Cisco, Microsoft, IBM, Oracle, Sage and RBS), supported over 500 SME events, generated over £1.3m in channel partner marketing activities, and improved its coverage of security issues. UK Online for business's security content, which offers practical advice and help to combat information security threats, went live at the end of February 2003.

Winning Business in International Markets

Identifying markets overseas

3.35 UK Trade & Investment staff overseas use their local contacts and experience to prepare customised reports for UK companies. This service is now moving on-line. Over the last two years, Online Market Introduction Service (OMIS) has been introduced in 23 countries. It has placed over 2,000 orders for services. Customers can order directly and pay on-line. Customer feedback shows OMIS is good value for money and easy to use and plans are underway to make OMIS available worldwide in 2004.

3.36 UK Trade & Investment continues to provide relevant information to UK companies wanting to do business overseas through its public website[21]. Over 24,000 UK businesses have registered to receive e-mail notifications of opportunities identified by posts overseas. In 2004, UK Trade & Investment will put in place a customer relationship management system that will provide a high standard of electronic service delivery, and which can share information throughout its UK and overseas network on specific customers' capabilities and needs.

3.37 In order to simplify the trade support it offers, UK Trade & Investment has begun the process of rationalising its trade services and focusing support where it adds most value, particularly for SMEs, with the aim of simplifying the portfolio of services to around five basic products.

3.38 Trade fairs overseas remain an important trade opportunity for thousands of companies. In 2003 UK Trade & Investment changed its "Support for Exhibitions and Seminars Abroad" scheme, to ensure that the events

20 www.businesslink.gov.uk
21 www.uktradeinvest.gov.uk

Figure 3.1: Number of firms supported in trade fairs, missions and seminars

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Trade Fairs	7,604	8,592	8,000	8,000	8,000
Overseas Seminars	306	406	450	400	400
Outward Missions	2,856	3,000	4,445		
Vertical Missions				1,700 [a]	1,700
Horizontal Missions				1,784 [a]	[b]
Inward Missions (number of visitors)	497	540	550	[c]	[c]

[a] As from 1 April 2004 missions have been split into vertical (sector specific) and horizontal missions. Vertical missions are now included in International Business Schemes (formerly Support for Exhibitions and Seminars Abroad).
[b] As from 1 April 2004 inward missions is the responsibility of the individual sector teams. They will support these missions from their programme expenditure.
[c] The Trade Development Unit and Regional Group are currently undertaking a Services Review; the Horizontal Outward Mission scheme is being looked at as one of the services to be cut. It has been recommended that horizontal missions be withdrawn in favour of vertical, sector-based missions or integrated into a restructured service, focused around facilitating visits. However, this is not definitive and confirmation is still awaited.

chosen support industries' global sectoral strategies, and offer greater flexibility to companies who wish to travel to particular events either individually or as part of a small group. General promotional activity has been stopped and advertising particular overseas markets to UK companies is now concentrated on countries where there are particular sectoral opportunities of interest to UK firms and trade and industry associations.

'YOUR PASSPORT TO EXPORT SUCCESS'

3.39 UK Trade & Investment's flagship trade development programme has had a powerful impact on company behaviour and has increased knowledge of, and confidence in, approaching global markets. 450 companies have completed the Passport programme, over 2,500 plan to, and more are being recruited all the time.

GLOBAL PARTNERSHIPS

3.40 The UK's Global Partnerships service was set up to meet the growing demand from companies looking for partners in the UK market. Since it started in March 2003, UK Trade & Investment has helped 92 clients in their search for UK partners. Successes include an American company seeking to identify a partner to collaborate on the use of proteomics for the early detection of cancer, and an Israeli company looking to find a partner to scale its prototype to clean-up pollutants.

3.41 The Global Entrepreneurs programme went live in January 2003. This aims to attract entrepreneurs in high tech sectors to invest in the UK. It is initially focused on the USA and is unique in providing access to successful UK entrepreneurs who act as deal-makers within their areas of expertise such as life sciences and technology, and who bring credibility, experience and networks of contacts to their US partners. Successful introductions include the matching of an American entrepreneur, venture capital and a UK company with a rich patent portfolio that was facing closure and the loss of its valuable intellectual property and 110 staff.

INWARD INVESTMENT

3.42 In 2002-03[22] UK Trade & Investment recorded 709 investment projects from overseas, generating 34,000 new jobs in the UK. Of these projects, UK Trade & Investment played a major role in 114 decisions creating and/or safeguarding

22 Figures for 2003-04 will be published in July 2004

Figure 3.2: Inward investment cases and effect on jobs

	1999–00	2000–01	2001–02	2002–03
Invest·UK				
Number of active cases	604	1,115	1,103	1,147
Number of inward investment decisions in which Invest·UK was significantly involved	145	245	165	114
Number of new jobs created	15,519	15,976	4,329	4,467
Number of jobs safeguarded	6,704	6,589	1,252	2,884
National Figures				
Number of inward investment decisions	757	885	840	709
Number of new jobs created	52,783	71,451	35,149	34,396
Number of jobs safeguarded	81,411	52,358	24,066	19,915

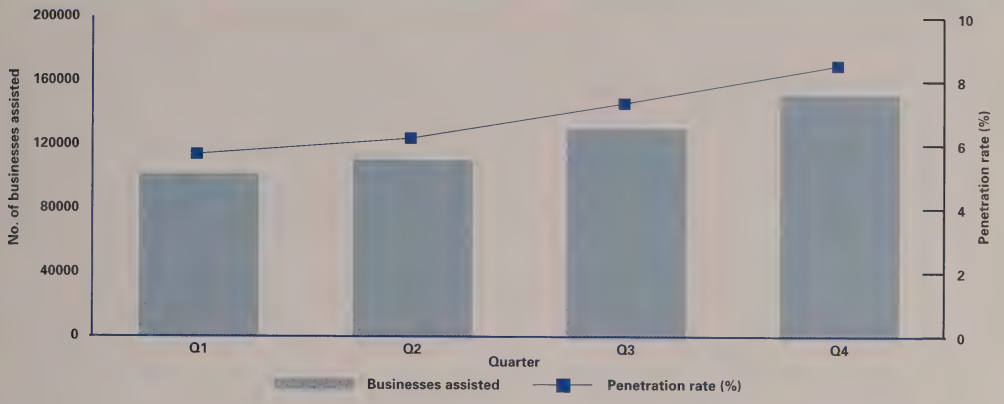
over 7,300 jobs. These projects had a beneficial impact on the supply chain in the UK and helped spread best practice and innovation. Investment from the USA and Canada continued steadily while investment from markets in Asia Pacific and Europe has increased, particularly in areas where UK Trade & Investment staffing has been reinforced or where it has proactively marketed the UK.

Figure 3.3: UK Trade & Investment Programme Expenditure: Major Programmes (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans[a]	2005–06 Plans[a]
Trade Development and Promotion *of which*	**59.7**	**74.8**	**80.0**	**76.0**	**78.3**
Support for exhibitions and seminars abroad	19.5	21.9	21.9	17.9	17.9
Passport	2.1	3.6	5.5	5.0	5.0
International Trade Advisors	8.5	10.0	11.5	13.0	14.5
Overseas Projects Fund	2.9	2.7	2.5	2.3	0.7
Sector Support in Markets[b]	n/a	14.0	14.0	14.0	14.0
Outward Missions	2.1	2.2	2.2	2.2	2.3
Export Promoters	3.0	2.6	2.6	2.8	2.9
Sales Lead Service	1.8	1.7	0.7	0	0
Income	*-2.1*	*0.9*	*-1.5*	*-1.1*	*-1.1*
Inward Investment *of which*	**16.7**	**21.0**	**22.4**	**23.0**	**23.0**
Grants to Regional Development Agencies	11.8	13.0	12.9	13.2	13.2
Promotional expenditure	4.9	7.7	9.5	9.8	9.8

Note:
This is not a comprehensive list of all UK Trade & Investment funded programmes, but includes the main areas of spend only.
UK Trade & Investment's Inward Investment Group's promotional expenditure includes all spend on promotional services including the Global Partnerships Scheme and Attracting Global Entrepreneurs Scheme.
[a] Figures are indicative only.
[b] Data was not captured on this programme prior to 2002-03.

Figure 3.4: Business Link Local Network Market Penetration 2002–03



Improving Service Delivery

BUSINESS SUPPORT

3.43 The first four of the DTI's new business support products, directed primarily at SMEs, were launched in April and June 2003. These new products are: Grants for Research and Development; Knowledge Transfer Partnerships; the Small Firms Loan Guarantee; and Grants for Investigating an Innovative Idea.

3.44 The Department launched a new web-based Business Support Directory on the businesslink.gov.uk website[23] to help both customers and delivery partners to identify the most appropriate product for their business needs. This Directory holds information on all of the Department's new business support products, as well as existing schemes and key offerings available from RDAs and other Government departments.

3.45 Five more business support products will be launched from April 2004 and the nine products then live will replace the 100 plus schemes that the Department has been operating. All the "old" schemes are being closed as quickly as possible, consistent with meeting past commitments. The new products will be more effective and delivered in a much more customer-friendly way than the old schemes, and the Department has put in place systems to monitor and evaluate their performance much more rigorously, to ensure they are delivering good outcomes for customers.

BUSINESS LINK

3.46 Work on the Business Link Brand has been completed and the Business Link Transformation Programme commenced in September 2003, with the appointment of the Programme Director and Programme Manager. The inaugural Programme Board, which has been drawn from across Government, was held on 13 January 2004.

3.47 The Business Link Operators' (BLOs') targets for the end of 2003-04 were 22% for the improved market penetration measure (for all customers: existing businesses and pre-starts) and 87% for customer satisfaction. At the end of the third quarter market penetration had risen to 26.7%. That significantly exceeded the annual target with the prospect of further increases. The customer satisfaction survey results for October to December 2003 were

23 www.businesslink.gov.uk

86.4%, marginally below the annual target for 2003-04. The BLO Delivery Plans will include further stretching targets for 2004-05.

3.48 The Small Business Service (SBS) has completed negotiations with three RDAs to manage BLOs on its behalf as part of a pilot due to end in March 2005. An initial evaluation of the lessons learned so far in pilot and non-pilot regions was carried out in January 2004. SBS is also in discussion with regional partners in non-pilot regions about their plans for strategic management of business support generally (including mangement of the BLO network) from April 2005 onwards.

BUILDING THE CAPABILITY FOR SME GROWTH

3.49 In January 2004 the SBS published a strategy for building the capability for SME growth[24] as part of the Government's action plan for small business. The focus is now on implementation of the strategy, which will be taken forward in collaboration with OGDs including DfES and HMT. Among the solutions required by SMEs, and which need to be available through Business Link, are innovation and technology transfer skills, in particular leadership and management.

PROCUREMENT

3.50 SBS worked with the OGC to secure a positive response to the BRTF/SBC report on procurement. Two pilot schemes have been launched to identify ways of helping small businesses secure improved access to Government contracts. The pilots are operating in the West Midlands and Haringey, North London, and will run until spring 2005.

World Class Communications

BROADBAND

3.51 The Department is on target to make broadband telecommunications services available to every community in the UK by the end of 2005. Broadband is already available to over 80% of households and, by the end of 2003, more than three million had already subscribed.

3.52 A project led by the Department has established a Regional Aggregation Body (RAB) in each of the English regions. The RABs will ensure that the £1bn that the public sector will spend on broadband to improve public services (e.g. in schools, the National Health Service (NHS) and the criminal justice system) will be value for money. It will also help to extend broadband for businesses and consumers.

3.53 Good progress has been made towards the Department's PSA target for the UK to have the most extensive and competitive broadband market in the G7 by 2005. By the end of 2003, the UK had moved up to 3rd most competitive and 3rd equal most extensive within the G7 countries.

DIGITAL TV

3.54 Without Government taking a lead with the DTV project there would be no question of Ministers being in a position to decide by the end of 2004 whether to go ahead with analogue switch-off. The Department initiated the Digital Television Action Plan[25] and brought together broadcasters and manufacturers to work constructively on how and when switchover can happen. Through its relationship with key players (BBC, ITV, Channel 4, BSkyB, Sony, Panasonic, Pace, Snell & Wilcox) the Department ensures that these companies are wholly engaged with the switchover and are developing cutting

24 Available at www.sbs.gov.uk/content/7-strategies/ActionPlan.pdf
25 Further details at www.digitaltelevision.gov.uk/pdfs/DigitalTV_ActionPlan.pdf

edge products and services to keep the UK at the forefront of take-up of digital television.

3.55 In September 2003, the Government announced its commitment to DTV switchover by saying "it is not whether, but when". DTV take-up exceeded 50% at the end of 2003, with sales of digital set-top boxes running at up to 80,000 a week – ensuring that the UK continues to have the highest DTV penetration in the world.

3G MOBILE SERVICES

3.56 In March 2003, the UK was one of the first countries in Europe, along with Italy, to launch 3G mobile services. In the period April-June 2003, UK mobile subscribers exceeded 50 million for the first time, with 75% of adults owning or using a mobile phone.

3.57 In July 2003, the Communications Bill[26] was enacted. This legislation made major changes to the regulation of telecommunications, broadcasting and spectrum and provided powers to establish the Office of Communications (Ofcom)[27], which came into being on 29 December 2003. Ofcom is the regulator for the UK communications industries, with responsibilities across television, radio, telecommunications and wireless communications services. It exists to further the interests of citizen-consumers as the communications industries enter the digital age.

Figure 3.5: Expenditure on Improving Business Performance (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**218.2**	**223.3**	**222.6**	**224.5**
of which:				
Building effective relationships with Business[1]	15.6	12.1	10.0	10.4
Effective delivery of Best Practice Products[2]	31.3	41.9	30.8	29.3
Building the capability for business growth[3]	168.3	164.3	173.5	177.5
Enabling Infrastructure[4]	3.0	5.0	5.0	5.0
Intelligent Public Procurement	–	–	1.7	0.7
Capturing and analysing data on Business Performance	–	–	1.6	1.6

[1] This relates primarily to work pursued in partnership with industry to drive up sector productivity and performance, eg. implementing recommendations made by Innovation & Growth Teams.
[2] This encompasses residual spend on closed schemes, the new Business Support Best Practice Products, and ongoing support for the Design Council.
[3] This encompasses the delivery of services to SME's through Business Links and the Small Business Service.
[4] This covers work on improving access to Broadband and the proposed switchover to Digital Television.

26 Full text of the Bill available at www.communicationsbill.gov.uk/
27 Further details of Ofcom and its activities can be found at www.ofcom.org.uk/

4 KNOWLEDGE TRANSFER AND INNOVATION

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Introduction

The challenge for the Department is to "promote effective transfer of knowledge to improve UK innovation performance and accelerate business exploitation of science and new and existing technologies".

4.1 To achieve a step change in the innovation performance of the UK economy, the Department undertook a review of policies that impact on innovation – the Innovation Report[1]. This complemented the HMT review of UK business-university collaboration – the Lambert Review.

4.2 The Innovation Report made clear the need for effective cross-Government action. The Prime Minister then asked the Secretary of State to chair a Ministerial team to lead the innovation agenda across Government and drive forward the Report's implementation.

PSA Target 2

4.3 All of the work carried out within this business objective contributes to the Department's PSA target 2 (SR2002)[2], to improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.

Plans for 2004-05

4.4 In line with the Innovation Report, the Department will develop and implement a Technology Strategy and establish a Technology Strategy Board. The Technology Programme will be implemented and new business support products and activity will be introduced to encourage innovative Government procurement and to help stimulate business demand for research and development.

4.5 Through UK institutions such as the Patent Office[3], National Physical Laboratory (NPL) and National Weights and Measures Laboratory (NWML)[4], the Department will continue to provide the infrastructure that minimises the costs and increases the effectiveness of disseminating new or better technologies. The Department will also continue to work with Higher Education Institutes (HEIs) and Public Sector Research Institutes to facilitate the transfer of research into commercially viable projects.

1 Available at www.dti.gov.uk/innovationreport/index.htm
2 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_2.htm
3 Full details of the Patent Office and its activities at www.patent.gov.uk
4 Full details of the NWML and its activities at www.nwml.gov.uk

Performance in 2003–04

HIGHLIGHTS OF 2003–04

- Innovation Report published in December 2003
- £90m funding announced for DTI Micro and Nanotechnology Manufacturing Initiative and Applied Research Programme
- 65 partnerships approved using new Knowledge Transfer Partnerships product
- £15m Public Sector Research Establishment awards announced in January 2004
- New UK Space Strategy for 2003-06 and beyond published on 16 December 2003

Innovation Review

4.6 The Department recognised that there was a need for a step change in innovation performance if UK productivity was to rise, and during 2003 carried out a review of the Government's policies which impact on innovation and the UK's innovation performance. A Report of the findings was published in December 2003[5]. Simultaneous planning and preparation during 2003-04 will ensure a speedy implementation of the Report's main actions.

THE TECHNOLOGY STRATEGY

4.7 The recent Innovation Report highlighted that the DTI should take the lead role in innovation support to business by developing and implementing a Technology Strategy and Programme. The Technology Strategy will identify technology priorities critical to the growth of the UK economy, matching business needs with what science has to offer. A Technology Strategy Board, consisting mainly of senior business representatives, will formulate it.

4.8 Businesses and other appropriate organisations will provide input to assist in the development of the Strategy through industrial associations, networks and groups such as the Confederation of British Industry (CBI), EEF, Information Age Partnership and DTI sponsored Innovation and Growth Teams.

4.9 Government and its agencies will be able to use the Strategy to steer investment in UK R&D programmes and help influence the European agenda. The effectiveness of funding will be improved due to this greater focus. The strategy will also inform the future development of innovative public procurement, technical regulation, measurement and product standards – all of which are policy levers available to stimulate innovation.

4.10 The Technology Programme is the combination of business support products and information that the DTI are offering business in response to the Technology Strategy. The Technology Strategy and Programme will be implemented in phases during 2004, with calls to business to submit applications for funding in April and October.

New Business Support Products

4.11 The Department's Business Support Transformation Programme has replaced more than 100 business support products with just 10 new ones, some of which build on the best elements of

5 available at www.dti.gov.uk/innovationreport/index.htm

existing programmes, whilst others are completely new. The first products were introduced during 2003-04, and the rest will be introduced in early 2004[6].

4.12 Two of the new Business Support products directly contribute to improving knowledge transfer and collectively deliver the Technology Programme.

Existing Programmes

4.13 The new Business Support products that are being introduced build on the successful elements of a number of existing collaborative and knowledge transfer programmes, eg LINK Collaborative Research[7] and Faraday Partnerships. These have made significant contributions to improving innovation in business, and the collaboration between business and the research base. The Department has carefully managed the withdrawal from existing programmes, honouring financial commitments, to enable the introduction of the Technology Programme and new business support products during 2004–05.

NANOTECHNOLOGY

4.14 The Micro and Nanotechnologies (MNT) programme was announced in July 2003 and is the first priority recognised under the Technology Strategy. The agreed injection of £90m over the next six years will help industry to harness the commercial opportunities offered by these emergent technologies. This funding will be divided into two strands; a new network of Micro and Nanotechnology facilities (£40m) and collaborative R&D (£50m).

4.15 To develop manufacturing capability in the MNT and the UK capabilities in the underlying technologies required for product development in MNT, a Micro and Nanotechnology Facilities Network[8] has been established. A formal group of Regional Development Agencies' (RDAs') and Devolved Administrations' representatives has been appointed to manage the network. The first round of bids for support closed in December 2003 and 35 expressions of interest were received.

KNOWLEDGE TRANSFER PARTNERSHIPS

4.16 Knowledge Transfer Partnerships succeeded TCS (formerly the Teaching Company Scheme) in September 2003. It builds on TCS but now enables people qualified at National Vocational Qualification (NVQ) 4 level to undertake projects in firms with the backing of a Further Education college and provides more flexibility with the project timescales.

4.17 In January 2004 there were a total of 899 Partnerships, of which 65 had been designated under the new rules. Knowledge Transfer Partnerships are available UK-wide: the DTI leads their delivery on behalf of other sponsors including five OGDs and five Research

Figure 4.1: Knowledge Transfer Partnerships Performance

	2002–03 Outturn (TCS)	2003–04 Estimated Outturn	2004–05 Plans	2005–06 Plans
No. of current projects	940	940	940	1,000
No. of projects with some DTI funding	622	622	622	630
% of approved projects with DTI funding involving SMEs	90	80	80	75
DTI spend (£ million)	16.7	18.3	18.03	18.0
Total Government spend (£ million)	**24.4**	**25.2**	**25.2**	**27.0**

6 Further details of the new business support products can be found in Chapters 3, 8 and 12
7 Further details on LINK Collaborative Research in Chapter 10
8 Further details at www.microandnanotech.info

Councils, that each provide funding for projects in their fields of interest.

FORESIGHT

4.18 The Foresight programme[9] has been revised regularly to ensure that it is positioned to meet new challenges. Bringing together key people, knowledge and ideas to look beyond normal planning horizons the programme has helped to realise and identify potential opportunities from emerging science and technologies. A significant proportion of the work of Foresight has directly fed in to the early stages of developing the Technology Strategy.

FARADAY PARTNERSHIPS

4.19 Faraday Partnerships are managed networks that enable businesses and researchers to work together to exploit research in specific fields of technology leading to new products and processes. The 24 established Partnerships[10] now manage research portfolios totalling over £100m involving over 1,700 firms and nearly 400 University research teams.

DTI GLOBAL WATCH SERVICE

4.20 The DTI's Global Watch service (formerly known as the International Technology Service) enables UK firms to acquire knowledge of technological developments from leading countries around the world. Over 80,000 technology related searches are carried out on the website[11] each month. Two magazines are produced; to enable UK firms to learn about technology developments and best practice around the world; and to enable overseas firms to learn about latest developments in UK applied science and technology. The 16 International Technology Promoters facilitate overseas technology brokering for about 500 UK firms annually.

EUROPEAN RESEARCH AREA AND FRAMEWORK PROGRAMME 6

4.21 The Innovation Report identified the need to tap into the global knowledge base and increase UK business' participation in EU and pan-European programmes. The Department has therefore been improving the promotion and advisory services to help UK organisations access the EU's Framework Programme 6[12].

EUREKA!

4.22 Eureka! is a pan-European initiative to stimulate collaborative industrially-driven R&D projects to develop advanced products, processing or services. In recent years the DTI has spent just over £2m per year on Eureka! In the 12 months to June 2003 a total of 31 proposals involving UK organisations were endorsed as Eureka projects. Of these 17 projects, involving 37 organisations, received DTI funding.

Strengthening exploitation of investment in the science base

HIGHER EDUCATION INNOVATION FUND

4.23 The call for proposals for the Higher Education Innovation Fund (HEIF) Round 2 (HEIF 2) was launched in December 2003, with a deadline for bids of 25 February 2004. This fund, worth £187m over two years, will incorporate funding previously allocated to University Challenge and Science Enterprise Challenge in order that support is provided for knowledge transfer through a single stream of funding.

9 More detail on the Foresight programme and the other OST work is detailed in Chapter 10
10 Further details at www.faradaypartnerships.org.uk
11 www.globalwatchonline.com
12 Further details on the EU's Framework Programme can be found in Chapter 10

PUBLIC SECTOR RESEARCH EXPLOITATION FUND

4.24 The outcome of the Second Round of the Public Sector Research Exploitation (PSRE) Fund was announced on 19 January 2004 with funding of £15m being drawn down from April 2004. This fund will provide support for knowledge transfer activities in public sector research establishments. Funding will be available for up to three years.

METRICS

4.25 OST's knowledge transfer activities have been assessed against a basket of indicators including number of licensing agreements, patents and spin-out companies. Latest data available, for the academic year 2001-02[13], shows continuing improvement in HE-business interactions by almost every indicator. Work has now started on developing metrics, including business perception of HEI knowledge transfer, for the period from April 2005 to March 2008.

CAMBRIDGE MIT INSTITUTE

4.26 The pioneering partnership between the University of Cambridge and the Massachusetts Institute of Technology (MIT) is funded by OST. The objective is to improve competitiveness, productivity and entrepreneurship in the UK by enhancing knowledge exchange between universities and industry.

4.27 Four Knowledge Integration Communities (KICs) bring together academics, students and industrialists to take an idea from conception to commercial product in industry sectors where value added can be captured in the UK. For example, Silent Aircraft KIC aims to design an aircraft that will be functionally silent outside the airport perimeter.

Technical Infrastructure

BRITISH NATIONAL SPACE CENTRE

4.28 In July 2003 the European Space Agency (ESA) placed parallel contracts for construction of the first test and demonstration satellite for the European Galileo satellite navigation and positioning system. The UK has important roles in both activities that provide strong applied R&D that are challenging to this sector.

4.29 Following consultation, a new UK Space Strategy for 2003-06 and beyond was published on 16 December 2003. Its vision is that the UK will be the most developed user of space-based systems in Europe for science, enterprise and environment, and that UK citizens will provide and exploit the advanced space-based systems and services which will stimulate innovation in the knowledge-driven society.

4.30 In December 2003 the UK-led Beagle II lander successfully separated from ESA's Mars Express on its mission to the Red Planet. However, contact with the lander was lost and an ESA inquiry board has been established. This was a very ambitious mission with high risks during which much scientific and engineering knowledge has been gained for the future. Beagle was the most efficient planetary lander ever produced and has resulted in significant advances in miniaturisation, spectroscopy and parachute technology.

NATIONAL STANDARDISATION STRATEGIC FRAMEWORK

4.31 The National Standardisation Strategic Framework[14] (NSSF) was launched on 6 October 2003. Several implementation projects have begun, with some already concluded. The first annual report will be published in April 2004. The Innovation

13 Further details in Chapter 2 and at www.hefce.ac.uk/Pubs/hefce/2004/04_07/
14 Further details at www.nssf.info/

Report recognised the strong role standards could play in helping innovation diffusion, and endorsed the NSSF.

4.32 The Competitiveness Council of Ministers adopted a resolution in November 2003 on the European Commission's Communication on "Enhancing the Implementation of New Approach Directives" in terms that the UK considers very satisfactory.

THE NATIONAL MEASUREMENT SYSTEM

4.33 In December 2003 the DTI appointed Serco Plc as the preferred bidder to manage the Science Contract at the National Physical Laboratory at Teddington. The new Science Contract will come into effect on 1 April 2004 and will be for 10 years, with the option of a five-year extension, subject to agreement of both the DTI and Serco.

4.34 In September 2003 Lord Sainsbury approved three programmes to maintain and develop measurement standards for electromagnetism, time and frequency and analytical measurements. These will provide vital infrastructure to assist UK businesses and contribute to maintaining the UK's position as one of the leaders in world metrology.

4.35 The Innovation Report recognised the important part that the NMS will increasingly play in supporting knowledge transfer in emerging technology areas.

Figure 4.2: Expenditure on Knowledge Transfer (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**337.3**	**283.7**	**341.2**	**361.5**
of which:				
Knowledge Transfer (formerly Industrial Exploitation of Science)[1]	136.8	109.9	150.6	159.2
Exploitation of Investment in the Science Base[2]	51.6	64.0	80.0	91.4
Technical Infrastructure[3]	63.8	76.9	77.7	78.0
Space – BNSC[4]	85.1	32.9	32.9	32.9

[1] Includes existing programmes, such as Global Watch (formerly ITS), Faraday Partnerships, Eureka! and new programmes utilising the new Business Support products, such as Nanotechnology and Knowledge Transfer Partnerships (formerly TCS).
[2] Includes Higher Education Innovation Fund, Public Sector Research Exploitation Fund, Science Enterprise Challenge, University Challenge and Foresight website.
[3] Includes National Measurement System, Materials Metrology, Standards and Accreditation.
[4] The decline in spend in the Space Programme from 2002-03 to 2003-04 and onwards is due to a transfer of £49.6m to the Research Councils (NERC and PPARC)
[5] Support for Competitiveness is now covered under the Improving Best Practice Objective (see Chapter 1)

5 CONSUMERS AND COMPETITION

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Safety

Introduction

The challenge for the Department is to "place empowered and protected consumers at the heart of an effective competition regime".

5.1 A strong competition policy is one of the five key drivers of productivity and, because it is empowered consumers who drive competition and encourage business innovation, it is now increasingly recognised that this needs to be complemented by an effective consumer policy. Consumer policy also increases social justice as the Government works to ensure a fair deal for consumers, including the vulnerable. The DTI's aim is therefore to work for open and fair markets and confident consumers and business. It will do this by modernising the legislative framework, including by deregulating and self-regulation where appropriate, by empowering consumers, and by helping the market work effectively through better enforcement and promoting competition.

5.2 The Department works closely with a wide range of stakeholders across the public, private and voluntary sections, including the OFT[1], the Competition Commission[2], business representatives, consumer bodies, Citizens Advice Bureaux and Trading Standards Departments.

5.3 Evidence suggests the UK has significantly improved its competition regime. Historically (pre 1998) the UK has tended to be viewed as weak on competition policy. Deadweight welfare loss of monopoly is about 1% of GDP, and cartels alone lead to an average increase in prices of 10%. However, as a result of recent reforms, the UK is now perceived to operate an effective competition regime. The Government's last review of regimes by competition experts in April 2001[3] places the UK third, behind Germany and the USA, and the weaknesses identified by the peer reviewers have now been addressed in the Enterprise Act 2002.

5.4 The October 2003 international comparative survey on consumer policy[4] showed that there is further to go. In particular, the Department needs to further empower consumers, improve

1 Further details about the OFT and its activities can be found at www.oft.gov.uk
2 Further details about the Competition Commission and its activities can be found at www.competition-commission.org.uk/
3 Further details of the review at www.dti.gov.uk/ccp/topics2/pdf2/peerreview.pdf
4 Further details of the survey at www.dti.gov.uk/ccp/topics1/pdf1/benchmain.pdf

enforcement and redress, and tackle the gaps, overlaps and complexity of the UK's legislative framework, and the costs they impose on both business and consumers. For all markets in the UK, an OFT survey estimates the cost to consumers from rectifying and dealing with complaints to be £8.3bn per annum.

PSA Target 3

5.5 This Objective is the same as the Department's PSA target 3 (SR2002)[5], to have among the best consumer protection and empowerment and competition regimes in the world.

Plans for 2004-05

5.6 The Department will continue to work closely with the competition authorities and economic regulators to tackle dysfunctional markets in the UK whilst promoting a proactive competition approach in the EU. The overhaul of Consumer Credit laws promised in December 2003's White Paper[6] will be implemented and the DTI will continue to lead the EU debate on consumer and competition policy. It will also publish and implement a new Consumer Strategy, and will launch the new telephone and online consumer advice service, Consumer Direct, in four pathfinder regions and nations in the summer. Weights and measures legislation will also be simplified and consolidated.

5.7 The potential benefits of these plans are clear. For example, proposed reforms to the consumer credit regime could lead to a saving per household of £400 if people switched to the cheapest available deals, while the pilots for Consumer Direct suggest an average benefit to each consumer of over £100 for a call handling cost of £10. Much of the Department's work will be of particular benefit to the socially excluded and vulnerable: for example work in funding two "loan shark hunter" pilots, tackling the anti social use of fireworks, and, on behalf of the Government, in support for the Citizens Advice Service in England, Wales and Scotland.

Achievements in 2003–04

Consumer Strategy

5.8 The Department published a study, "Comparative report on consumer policy regimes"[7] in October 2003. The report compared the consumer regimes in the UK and nine OECD countries to establish

HIGHLIGHTS OF 2003–04

- Comparative report on consumer policy regimes published in October 2003
- New mergers, consumer and competition regime under the Enterprise Act 2002 and Communication Act 2003 established
- Consumer Credit White Paper published in December 2003
- Consumer Direct pathfinder regions selected
- Modernisation of EU competition rules/laws
- New Fireworks safety regulation
- Sunday Trading Regulatory Reform Order 2004 effected

5 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_3.htm
6 Full details, including the White Paper at www.dti.gov.uk/ccp/topics1/pdf1/creditwp.pdf
7 Further details and the consultation document available at www.dti.gov.uk/ccp/topics1/pdf1/benchmain.pdf

where the UK needs to improve to match the levels of the best by 2006.

5.9 The report concluded that the UK policy framework was on a par with the best in terms of consumer rights with regard to sale of goods and services; access to justice (for example through small claims court procedures in England and Wales); maintaining product safety; providing consumer advice; sponsoring consumer advocacy at the policy-making level; and investigating markets that are not working well for consumers. However, it found that the UK appears to be behind the best in respect of its legal framework (for consumers), which is not as wide reaching as some others'; its enforcement arrangements, which are fragmented; the use of market intelligence; and the provision of advice about suitable traders.

5.10 The Department is now taking the conclusions of the study forward through the Consumer Strategy project. The project team is looking at the rationale and evidence for consumer policy, empowerment, legislative framework, redress and enforcement. The aim is to publish a new consumer strategy in the autumn of 2004.

New mergers, consumer and competition regime

ENTERPRISE ACT 2002

5.11 The substantive consumer and competition provisions of the Enterprise Act 2002[8] came into force on 20 June 2003. The Act strengthens the UK's competition law framework, and includes replacing the office of Director General of Fair Trading with a new statutory authority, taking political considerations out of competition decisions; more transparent and accountable decision-making by the competition authorities; and stronger sanctions.

5.12 In addition the Enterprise Act 2002 contains measures to both empower and protect consumers. The measures include a power that enables the OFT to formally approve Codes of Practice which must meet a criteria set by it. This ensures that Codes in a wide range of market sectors deliver solutions over and above those available in law, thereby preventing practices that have detrimental effects on consumers.

5.13 The Act also strengthens consumer protection by providing enforcers with strengthened powers to obtain court orders against businesses that do not comply with their legal obligations to consumers. It also empowers designated consumer bodies to make "super-complaints" to the OFT where they feel that any feature of a market in the UK for goods or services appears to be significantly harming consumers.

COMMUNICATIONS ACT 2003

5.14 The Communications Act 2003[9] builds on the Enterprise Act 2002 by including media public interest considerations in mergers involving newspaper and broadcasting enterprises. For newspapers these new considerations relate to the need for accurate presentation of news, free expression of opinion and a sufficient plurality of views in newspapers. These newspaper public interest considerations replace the special newspaper scheme of the Fair Trading Act, enabling all newspaper mergers to proceed without the prior consent of the Secretary of State, just like all other mergers.

8 Full text available at www.hmso.gov.uk/acts/acts2002/20020040.htm
9 Full text available at www.legislation.hmso.gov.uk/acts/acts2003/20030021.htm

Consumer credit

CONSUMER CREDIT ACT REVIEW

5.15 The Department published its Consumer Credit White Paper, "Fair, Clear and Competitive: The Consumer Credit Market in the 21st Century"[10] on 8 December 2003. This concludes the Consumer Credit Review launched in July 2001, and sets out proposals for the reform of the legislation governing consumer credit. These are designed to ensure that consumers have the quality and quantity of information that they need to enable them to make informed decisions; to create a fair framework for consumer credit – eliminating the rogue lenders and unfair lending practices from the marketplace; and to tackle the problem of over-indebtedness.

5.16 The White Paper confirms the Department's intention to take forward reforms to increase transparency by way of secondary legislation from October 2004. Other reforms will require primary legislation, which will be brought forward when Parliamentary time permits.

OVER-INDEBTEDNESS

5.17 The White Paper also set out recommendations to minimise the number of consumers who become over-indebted, and improve the support and processes for those who have fallen into debt. A cross-departmental Ministerial Group, co-chaired by the DTI and DWP, has been set up to oversee the development, co-ordination and implementation of these recommendations and those of the Task Force on Tackling Over-indebtedness[11]. It will be supported by an Advisory Group consisting of members from Consumer groups, other voluntary organisations, the credit industry, regulators and representatives from academia. The Ministerial Group will publish a strategy in spring 2004, and will input into other initiatives as appropriate, including HMT's Child Poverty work[12] and the Financial Services Authority's (FSA) work on developing financial capability[13].

5.18 Work is also underway to join up various free debt-advice services, including National Debtline[14] which is part-funded by the Department, to ensure the best possible service for consumers with debt problems. This will be developed alongside Consumer Direct, the funding of Citizens Advice and the Legal Service Commission's unified legal advice telephone service.

EUROPEAN COMMISSION CONSUMER CREDIT DIRECTIVE

5.19 In September 2002 the European Commission published its proposal for a revised Consumer Credit Directive. The Department has developed the UK position through a series of focus groups with industry and consumer bodies and is working closely with members of the European Parliament and through the Council to try and ensure that the UK is able to take full advantage of its position at the heart of the EU credit market, of which the UK has a 40% market share. The Department's aim is to tackle the real barriers to a single market in consumer credit and provide an appropriate level of consumer protection.

Consumer advice

5.20 Consumer advice needs to give people the right help, at the right time, in a way that best meets their needs so they become empowered, confident consumers. The Department is working in partnership with other agencies towards achieving this vision, and by 2007 will have in place services that will provide consumers with access to quality assured advice and information by phone, online and face to face.

10 Full details, including the White Paper at www.dti.gov.uk/ccp/topics1/pdf1/creditwp.pdf
11 Further details at www.dti.gov.uk/ccp/topics1/overindebtedness.htm
12 Further details at www.hm-treasury.gov.uk/topics/topics_family/topics_family_childpoverty.cfm
13 Further details at www.tradingstandards.gov.uk/yconsumers/fsa1.htm
14 Full details about the National Debtline at www.nationaldebtline.co.uk/

CONSUMER DIRECT

5.21 Consumer Direct, the new telephone and online consumer advice and information service, will, for the first time, provide consumers with access to clear, practical advice through a single national telephone number. Its aim is to give consumers the knowledge, tools and confidence to be able to resolve matters themselves, but where further help is needed it will serve as a gateway to other services linked together through Consumer Support Networks (CSNs).

5.22 Consumer Direct will be the first point of call for consumers, and will provide first tier advice on a range of consumer matters, including advice before shopping, information on consumer rights and guidance on individual problems and how to gain redress. The service does not replace existing consumer advice services, but works with them. By providing first tier advice it allows them to focus their resources and expertise on those they are best placed to help.

5.23 The service is to be launched in the summer of 2004 in four pathfinder regions and nations, the South West, Yorkshire and the Humber, Scotland and Wales. The second phase of nationwide rollout is planned for spring of 2005, once lessons from the pathfinders have been taken on board. The service will be operating nationally by spring 2007.

CONSUMER SUPPORT NETWORKS

5.24 The CSN programme[15] brings together local Trading Standards offices, Citizens Advice Bureaux and other providers of consumer advice and information to improve consumer access to help and advice. CSNs will complement Consumer Direct by providing a route for the seamless referral of complex cases and signposting consumers to face-to-face advice providers.

5.25 CSNs become fully registered by implementing development plans and pursuing projects that meet the needs of local consumers, particularly those from vulnerable groups. The Department's target is to achieve 100% population coverage before the end of 2004 and it is on track to achieve this.

PERFORMANCE FRAMEWORK FOR TRADING STANDARDS

5.26 In June 2003, the Department issued performance measures for the Trading Standards service. These measures were developed in consultation with Trading Standards and other stakeholders and are part of the National Performance Framework for Trading Standards introduced in April 2002[16]. The Framework supports a modernised trading standards service, recognising the need for local flexibility and balances priorities between educating consumers, educating business and ensuring a fair and safe trading environment. The performance measures will help to drive service improvement, helping the service link into corporate objectives and highlight their contribution to local priorities and will be underpinned by a system of peer review which will contribute to benchmarking, self-assessment and continuous improvement.

CAR SERVICING AND REPAIR

5.27 The Department has worked with leading businesses and representative bodies from the car servicing and repair sector to secure the industry's commitment to introducing a new code of practice. A joint application by the Retail Motor Industry Federation and the Scottish Motor Trade Association was filed for OFT approval in summer 2003.

15 Full details of the CSNs available at www.csnconnect.org.uk/
16 Further details about the Framework available at www.dti.gov.uk/ccp/topics1/pdf1/npf02.pdf

Full approval and public launch is anticipated in 2004, when the OFT is satisfied that the code is working.

5.28 The code, which will be open to all garages, will require participants to deliver acceptable levels of customer service, and address the areas of consumer detriment already identified by the OFT. Initial membership is expected to be around 9,000 garages nationwide (more than one in three), providing consumers with local opportunity to use a code-approved garage from day one.

CAMPAIGNS – RAISING AWARENESS OF SCAMS

5.29 A campaign to raise awareness of investment scams was launched by Gerry Sutcliffe in November 2003, featuring consumer champion Alice Beer. As well as targeting a source of serious consumer detriment (estimated at £350m to date), the campaign also served to remind consumers of the key warnings relevant to scams generally. It led to an increased focus on the "Don't Be a Mug!" website[17] which was developed to provide a comprehensive body of advice on a wide range of scams, including links to other regulatory authorities and useful contacts. Since this advice went live, the pages have consistently been among the most visited pages on the DTI's Consumers and Competition website.

Influencing Europe

MODERNISATION OF EU COMPETITION RULES/LAW

5.30 In 2004 new rules come into force giving national competition authorities power to apply the EU Treaty Articles, but leaves the precise method of their application to national law. Following a comprehensive consultation process undertaken in 2003 certain other changes were also made to the Competition Act 1988[18] in order to re-align the Act and the EU system. All of these changes will come into force on 1 May 2004.

5.31 Agreement was reached at the European Competitiveness Council on 27 November 2003 to a package of amendments to the EU Merger Regulation. Amongst a number of other improvements, the new Regulation more closely mirrors the UK's domestic regime and should ensure that the EU is able to deal effectively with all potentially anti-competitive effects arising in any mergers falling to it for consideration. The new regulation will come into force on 1 May 2004.

HALLMARKING

5.32 The UK Government had significant concerns about the draft Directive on Precious Metals, proposed in July 2003. The Department believed that the proposal as drafted would significantly weaken consumer protection in this area, and that the directive did not take proper account of the views of the Accession countries. The UK developed alliances with other like-minded EU partners to preserve the existing consumer protection provisions contained in UK Hallmarking laws. The proposal has now been shelved.

Making markets work

MARKET STUDIES

5.33 The Department has a general interest in competition market studies that are carried out by OFT, and investigations conducted by the Competition Commission. It co-ordinates Government responses with OGDs, and, as applicable, devolved administrations, where those studies make regulatory recommendations. During 2003-04 a number of studies have been reported and the Department is now involved in

17 The "Don't be a Mug!" website is at www.dti.gov.uk/ccp/scams/page1.htm
18 Full text of the act is available at www.hmso.gov.uk/acts/acts1998/19980041.htm

preparing Government responses, consultation exercises and legislation concerning a range of issues including extended warranties on domestic electrical goods[19]; taxis and private hire vehicles[20]; private dentistry[21]; and veterinary medicine. In addition, a statement was issued to Parliament on 18 December 2003[22] on the milk marque judicial review that brought the long-standing issue of the supply of milk to a close.

REGULATORY REFORM ORDERS

5.34 The Regulatory Reform Act provides for over-complex or outdated legislation to be simplified or repealed more easily and the Department is currently developing Regulatory Reform Orders (RROs) to amend various pieces of out-dated statutory legislation including the trading stamps act[23] and legislation concerning the publishing of directories[24]. A RRO removing unnecessary notification procedures relating to Sunday Trading came into effect in February 2004[25].

MERGER DECISIONS DURING 2003-04

5.35 In 2003-04 the Department published Competition Commission reports[26] on the proposed mergers of:

- Vibe Radio Services/Galaxy Radio Wales and the West;
- Centrica/Dynegy Storage and Onshore Processing;
- Safeway/Asda, Morrisons, Sainsbury's and Tesco;
- Carlton Communications/Granada;
- Arla Foods amba/Express Dairies;
- Newsquest (London)/Independent News & Media;
- March UK/GUS home shopping and home delivery businesses.

5.36 As a consequence of the reports from the Competition Commission, the Secretary of State blocked a Safeway merger with Asda, Sainsbury's or Tesco and blocked Newsquest Media Group's purchase of some Independent News & Media titles. In addition, the Secretary of State imposed conditions on the mergers of Centrica/Dynegy Storage and Onshore Processing, Carlton Communications/ Granada and Morrisons/Safeway.

PATENT OFFICE

5.37 The Patent Office[27] provides guidance on, and develops and maintains the legislation associated with various intellectual property rights including trade marks, copyright, registered designs and patents, that businesses use to protect their own designs, branding, inventions and creative work. During 2003-04 the EU Copyright Directive[28] was implemented, which harmonises certain copyright issues across the EU and the Copyright (Visually Impaired Persons) Act 2002[29] came into force. The Patent Office is active in spreading awareness of the whole system of intellectual property as widely as possible, and recent initiatives include the launch of a THINK kit education pack as well as seminars and participating in events organised by OGDs. A training package for enforcement agencies was launched in June 2003 and a web-based database of Intellectual Property case law was launched in the same month.

19 Further details and text of the Report available at www.competition-commission.org.uk/rep_pub/reports/2003/485xwars.htm
20 Further details available from www.dti.gov.uk/ccp/topics2/taxis.htm
21 Further details available from www.dti.gov.uk/ccp/topics2/pdf2/dentistgov.pdf
22 Text of the statement available at www.parliament.the-stationery-office.co.uk/pa/cm200304/cmwib/wb031220/bus.htm
23 Consultation Document and the Government response available from www.dti.gov.uk/ccp/consultations.htm
24 Further details available at www.dti.gov.uk/ccp/topics1/ecomm.htm
25 Further details available at www.dti.gov.uk/ccp/topics1/facts/sunday.htm
26 Full details about the competition commission and its activities are available at www.competition-commission.org.uk
27 Full details about the Patent Office and its activities are available at www.patent.gov.uk
28 Further details available at www.patent.gov.uk/about/consultations/eccopyright/
29 Full text available at www.legislation.hmso.gov.uk/acts/acts2002/20020033.htm

Safety

FIREWORKS REGULATIONS

5.38 The Fireworks Act 2003[30] enables the Secretary of State to make Regulations pertaining to both the use and supply of fireworks. Specifically, the Act enables the Government to make Regulations requiring:

- suppliers of fireworks to be licensed;
- restrictions on the sale of fireworks at particular times of the year;
- the creation of a curfew on firework use;
- importers to supply information at the point of entry to help ensure they are destined for legitimate sale; and
- a prohibition of those fireworks considered to be either a serious nuisance or particularly dangerous.

5.39 The Department has undertaken preliminary consultations on the form that Regulations may take and will launch a consultation exercise on the draft Regulations in spring 2004. The first Regulations under this legislation, concerning the anti-social use of fireworks, have already been made.

5.40 The measures contained in the new Fireworks Regulations 2003[31], which came into force on 22 December 2003, are a prohibition on the possession of fireworks, in public places, by those under the age of 18 and a prohibition on the possession of category 4 fireworks by any person other than a fireworks professional.

GENERAL CONSUMER PRODUCT SAFETY REGULATION

5.41 The General Product Safety Directive was approved by the Council at the end of 2001 and was due to be transposed into member states' national law by 15 January 2004. Difficulties in making the last resort power to order or organise the recall of unsafe products from consumers practicable to operate for business and the enforcement authorities, in particular, has led to some delay. During 2004 the Department will be consulting stakeholders on the basis of draft regulations, which will help to fine-tune the implementing legislation and the Department guidance that will accompany it.

5.42 Other developments include the successful negotiation in December 2003 of a Council resolution for work by the European Commission through 2004 on the safety of services that balances the interests of business and consumers, and also the publication in February 2004 of a Report to Parliament on Consumer Safety required under the Consumer Protection Act 1987 to be made every five years.

TOY SAFETY

5.43 In April 2003 – and for the first time in 10 years – the Secretary of State used the Prohibition Notice powers available under the Consumer Protection Act 1987 to ban Yo Balls. The DTI was alerted by Trading Standards Officers to several near-strangulation incidents around the country. Following in-depth tests and a paediatrician's view that the toys were unsafe for children, the Secretary of State issued Prohibition Notices against six known suppliers of Yo Balls. Although these Notices were issued on the six main importers of Yo Balls, their effect is that nobody in the UK can supply Yo Balls or any similar items posing a strangulation hazard.

30 Full text available at www.hmso.gov.uk/acts/acts2003/20030022.htm
31 Full text available at www.hmso.gov.uk/si/si2003/20033085.htm

Figure 5.1: Expenditure on Consumers and Competition Policy (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**44.2**	**57.6**	**72.5**	**79.2**	**83.6**
of which:					
Consumer Bodies	**24.9**	**25.3**	**28.4**	**31.1**	**31.1**
of which:					
Citizens' Advice (formerly National Association of Citizens Advice Bureaux)	*17.0*	*18.1*	*21.2*	*22.6*	*22.6*
Citizens' Advice Scotland	*3.7*	*3.1*	*2.8*	*3.2*	*3.2*
National Consumer Council	*3.4*	*3.6*	*3.8*	*3.8*	*3.8*
Consumer Safety	**1.6**	**3.7**	**1.0**	**0.6**	**0.6**
of which:					
Royal Society for the Prevention of Accidents	*0.2*	*0.2*	*0.2*	*0.2*	*0.2*
Economic Consumer Protection	**0.6**	**1.0**	**4.2**	**4.1**	**4.1**
Consumer Information	**2.3**	**2.2**	**2.4**	**1.1**	**1.1**
Modernisation Fund	**4.6**	**6.2**	**6.3**	**3.5**	**3.0**
Consumer Direct	**0**	**0**	**3.0**	**11.0**	**16.0**
Competition Commission	**10.2**	**19.3**	**23.4***	**23.0**	**23.0**
Competition Service	**0**	**0**	**3.8**	**4.7**	**4.7**

* Excludes re-location costs

6 SECURITY OF ENERGY SUPPLY

Introduction
PSA Target 4
Plans for 2004-05
Achievements in 2003-04
Strong and Competitive Energy Markets
Liberalisation of EU Energy Markets
UK Oil and Gas Reserves
Disruption to Energy Supply
Reducing Fuel Poverty

Introduction

The challenge for the Department is to manage the transition to becoming a net importer of oil and gas from 2006-07 so as to "ensure the continuity and security of energy supply at affordable prices through competitive markets, whilst minimising environmental impacts and delivering social objectives".

6.1 The energy sector represents 3.9% of the UK's GDP and is an essential input to the other 96.1% (oil and gas production is 2.4%, gas and electricity distribution and supply 1.4% and coal 0.1%). The sector represents 35% of industrial investment and 20% of London stock market capitalisation.

6.2 Recent power failures in the USA, Italy and to a lesser extent, the UK have highlighted the critical importance of energy reliability to productivity. The California energy supply problem of 2000 cost the State economy billions of dollars.

PSA Target 4

6.3 Some of the work carried out within this business objective contributes to the Department's PSA target 4 (SR2002)[1], to ensure the UK ranks in the top three most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and to improve the environment and the sustainable use of natural resources *(a joint target with DEFRA)*.

Plans for 2004-05

6.4 As a period of excess UK capacity comes to an end, energy prices are beginning to rise again. The DTI will work with Ofgem[2] and Energywatch[3] to ensure electricity and gas markets deliver secure energy at competitive prices, and ensure the UK energy system plays a full part in providing UK competitiveness and productivity.

6.5 Production of its own oil and gas resources will continue to make a major contribution to the UK's energy needs. The UK needs to maximise production of its own resources by maintaining a regulatory regime that stimulates exploration and development; extends the economic life of existing fields; increases the diversity of players by reducing entry barriers; improves access to acreage, infrastructure and data; and encourages the adoption of standard commercial agreements and practices.

1 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_4.htm
2 Full details of Ofgem and its activities are available at www.ofgem.gov.uk
3 Full details of Energywatch and its activities are available at www.energywatch.org.uk/

6.6 The DTI will continue to work to ensure that consumers, and particularly domestic consumers, have access to competitively priced and reliable gas and electricity, delivered by a range of suppliers, through contracts that are of the highest standard. It will ensure that the effects of any significant disruption to energy supply are minimised by maintaining its programme of emergency plan exercises for electricity, gas and downstream oil and delivering other regulatory enhancements included in the Energy Bill[4].

6.7 The DTI will continue to work for the opening up of European and other international energy markets and to secure alternate sources of supply as well as developing its understanding of developments in national and international oil, gas and electricity markets. In particular, the UK has been strengthening its relationship with Norway which has a growing ability to export energy to the UK. A new Treaty is being drafted which will facilitate future cross-border projects and will represent a comprehensive energy agreement between the two countries.

6.8 The Department will continue to work with Ofgem and the European Commission to achieve competitive EU energy markets and fair access to networks and the establishment of effective regulatory authorities in each Member State, with increased co-operation between them. It will also influence the developing EU agenda on security of supply and the environment in order to deliver solutions that are compatible with the UK's market economy.

6.9 Working with DEFRA, Ofgem and the industry, the Department will help to meet the Government's target of eradicating, as far as practicable, fuel poverty for vulnerable households in England by 2010, and for all households by 2016. In 2001 – the latest data available – there were 1.7 million fuel poor households in England, 1.4 million of whom were vulnerable households.

6.10 As the main providers of UK energy statistics that inform all participants in UK energy markets, the DTI will maintain high quality and comprehensive energy statistics. It will implement a data project that will make the UK Continental Shelf's (UKCS's) data available to new investors easily and cheaply.

6.11 The Department will help to ensure that the energy resources of Iraq are properly managed in the interests of the people of Iraq, and that with the return of sovereignty in the summer of 2004, the Iraqi authorities are well prepared for the modernisation of the oil sector.

HIGHLIGHTS OF 2003–04

- Final Agreement on EU liberalisation package achieved
- Sustainable Energy Act 2003
- A pilot project on energy services, relaxing the '28 day rule' for up to a million customers, was agreed
- In October 2003 the key principles for a new treaty on cross-border co-operation on offshore oil and gas were agreed with the Norwegian Ministry of Petroleum and Energy

4 Full text at www.dti.gov.uk/energy/leg_and_reg/acts/index.shtml

Achievements in 2003–04

Strong and Competitive Energy Markets

6.12 During President Putin's visit to the UK in June 2003 agreement, at Government level, was reached with Russia on closer co-operation on energy. This agreement covered increased energy security, improved climate for investment, preserving the environment and tackling climate change, and the signing of a memorandum of co-operation on a North European gas pipeline.

6.13 In February 2004 revised social and environmental guidance was issued to the Regulator, reflecting the priorities of the Energy White Paper[5]. The Energy Bill was introduced into the House of Lords ahead of schedule, on 27 November 2003. The Bill includes the legislation necessary to bring in the British Electricity Trading and Transmission Arrangements (BETTA), which are on track to Go-Live in April 2005.

6.14 Energywatch continued to represent consumer interests and promote improved performance by energy companies. Customer complaints have fallen quarter-on-quarter during 2003-04, and are expected to total 90,000, compared with 110,000 in the previous year.

Liberalisation of EU Energy Markets

6.15 One of the UK's key objectives in the Lisbon Agenda, the liberalisation of the internal electricity and gas markets, was achieved when the EU adopted legislation – two Directives and a Regulation – in July 2003. These measures require the opening of non-household energy markets to competition by July 2004 and the remainder by July 2007. The UK also agreed a general approach in the Council on a Directive on gas security of supply that put in place arrangements for dealing with supply emergencies.

UK Oil and Gas Reserves

ROYALTIES AND TAXATION

6.16 2003-04 saw the efficient close-down of operations to collect the Royalty on certain North Sea oil and gas fields which was abolished with effect from 1 January 2003. Abolition of the Royalty removes a barrier to investment in older fields which, as well as being important in themselves as a continuing source of oil and gas, provide essential infrastructure for new developments.

6.17 A joint DTI/HMT consultation with industry on barriers to offshore oil and gas exploration, announced in the Budget in April 2003, was completed. As a result, the Chancellor of the Exchequer announced in his pre-Budget statement in December 2003 an enhanced tax relief for exploration spending through an Exploration Expenditure Supplement for companies investing in the North Sea for the first time.

6.18 Also announced in the April 2003 Budget was that Petroleum Revenue Tax on new third party tariff business relating to use of offshore pipelines and other infrastructure would be abolished with effect from 1 January 2004. This measure has been widely welcomed by the industry and will help create a more level playing field.

'PROMOTE' LICENCES

6.19 The level of interest in licences in the 21st Offshore Licensing Round in 2003 was very high, close to that last seen in the 1960s. This was largely due to the number of applications for the new 'Promote' licence, launched in this Round to encourage new, smaller

5 Full text of the White Paper available at www.dti.gov.uk/energy/whitepaper/ourenergyfuture.pdf

independent players to invest in the North Sea and help those with particular skills to work up geological prospects. It is hoped that this measure will secure interest and investment in early exploration. Of the 89 licences awarded, the highest number for many years, 53 were Promote licences. Well over half are small independent companies, nine have not previously held licences and seven are entirely new to the UK.

PILOT

6.20 PILOT[6] is a joint Government and industry task force, which is pursuing a programme of work aimed at securing the long term future of the oil and gas industry in the UK, particularly improvements in the international competitiveness of the UK industry and continued exploration and development activity on the UKCS. PILOT inherited from the Oil and Gas Industry Task Force its production and investment targets for 2010 and members of the joint forum meet on a regular basis to discuss progress on the various initiatives underway. PILOT has generated a number of activities that enable the UK's indigenous hydrocarbon resources are fully exploited thus prolonging its energy self-sufficiency.

Disruption to energy supply

6.21 The Joint (DTI and Ofgem) Energy Security of Supply Working Group (JESS) was set up to assess risks to the UK future gas and electricity supplies. The Group's third report[7], covering the period March to October 2003, was published in November 2003. The 4th Report was drawn up in March 2004 for publication in April 2004.

6.22 The Network Resilience Working Group is a joint DTI, Ofgem, Energywatch and Distribution Network Operators (DNOs) group established to improve the resilience of electricity distribution networks during severe weather events. The Group reported in December 2003[8], and concluded that an overriding factor to be addressed to improve storm performance is the proximity of trees and branches to overhead lines. Various initiatives have been proposed, including alternatives to tree felling. In addition, best practice techniques have been identified to reduce the impact of faults during a storm event and the DNOs will be able to select items from this "toolbox" as appropriate.

Reducing fuel poverty

6.23 The Government remains committed to eradicating fuel poverty. Progress has been encouraging – with lower prices and increased income having a substantial impact and the numbers in fuel poverty reduced by more than half since 1996. The second annual report on fuel poverty will be published in spring 2004. The Government recognises that dealing with fuel poverty will be an increasing challenge as upward pressure on prices makes it even more important to implement effective energy efficiency improvements.

6 Further details available at www.pilottaskforce.co.uk
7 *"Joint Energy Security of Supply Working Group (JESS) Third Report"*, November 2003, available at www.dti.gov.uk/energy/jess/jessreport3.pdf
8 Report available at www.dti.gov.uk/energy/domestic_markets/security_of_supply/nrwg_report.pdf

Figure 6.1: Expenditure on Security of Energy Supply (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**5.7**	**5.7**	**6.1**	**6.3**	**6.3**
of which:					
SHARP	2.5	2.5	2.5	2.5	2.5
Other	**3.2**	**3.2**	**3.6**	**3.8**	**3.8**
of which:					
Offshore Geology	0.7	0.7	0.7	0.7	0.7
OG Competitiveness	1.3	1.2	1.5	1.7	1.7
OG Economic Research	0.1	0.1	0.1	0.1	0.1
OG Payments to CSO		0.0	0.0	0.0	0.0
UNCLOS	0.0	0.0	0.1	0.1	0.1
Delimitation Survey	0.0	0.0	0.0	0.0	0.0
Oil and Gas Gazette	0.0	0.1	0.0	0.0	0.0
European Energy Charter	0.3	0.3	0.3	0.3	0.3
International Energy Agency	0.8	0.9	0.8	0.8	0.8
Energy watch – pensions	0.0		0.1	0.1	0.1

7 FREE AND FAIR WORLD MARKETS

Introduction
PSA Target 5
Plans for 2004-05
Achievements in 2003-04
Opening Markets in Europe
World Markets
Import Licences
Offshoring

Introduction

The challenge for the Department is to "increase prosperity for all by extending competitive markets across Europe and throughout the world".

7.1 The Department works with OGDs, partners in Europe, civil society, business, unions and the World Trade Organisation (WTO) to create more open and fairer markets, leading to greater prosperity, innovation and growth in the UK, the EU and globally.

7.2 In Europe, the Department's priorities are to actively promote prosperity for all by taking forward the Lisbon agenda[1]. By working closely with OGDs, the European Commission, other Member States and accession countries, the Department helps to identify and develop key areas for reform to enable the European economy to become more open and dynamic.

7.3 The Department is working to persuade all members of the WTO to break down barriers to the free movement of goods and services and in doing so is helping to achieve the ambitious goals of the Doha Development Agenda (DDA)[2] to benefit developing and developed countries alike. It also works to minimise trade disputes, their consequences for UK business, and the disruption they cause to the international trading system.

PSA Target 5

7.4 Work on the DDA constitutes an important element of the DTI's PSA target 5 (SR2002)[3], to secure agreement to a significant reduction in trade barriers leading to improved trading opportunities for the UK and developing countries, which is a joint target, shared by the DTI, the FCO and DfID.

Plans for 2004-05

7.5 The main challenges in 2004-05 will be to: advance the Doha round of WTO trade negotiations; prepare for the UK's Presidency of the EU in the second half of 2005; and negotiate the proposed directive to open the Single Market in Services.

7.6 The WTO negotiations offer a major opportunity to make the world trading system freer and fairer and, in so doing, to contribute to poverty reduction, increased prosperity and growth and improved global security. A Doha Round involving significant liberalisation could increase world prosperity by $400bn. Agreement on the DDA would be a

1 More detail at www.dti.gov.uk/ewt/reform.htm
2 More information at www.wto.org/english/tratop_e/dda_e/dda_e.htm
3 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_5.htm

major achievement. All 148 WTO members have to agree and, as the WTO 5th Ministerial Conference in Cancun demonstrated, there are considerable differences between countries still to be negotiated. The Department will aim to complete these and other trade negotiations on terms that are acceptable to the UK.

7.7 Other challenges include forestalling trade disputes if possible, and managing them if they cannot be forestalled; minimising hindrances to imports and exports; and delivering on a number of projects, including a planned White Paper on trade and investment.

7.8 Over half of UK trade is with Europe; an estimated three million jobs are linked to this trade. A simulation of the impact of 10 years of the single market programme suggested that the positive effect was worth 1.8% of EU GDP (€165bn) by 2002. The DTI works in Europe to open up markets and to ensure they work fairly, with proper standards of protection for the environment, and for people at work, at home, and as consumers and providers in the market place.

7.9 Major developments in 2004-05 include the enlargement of the EU to include 10 new member states, the election of a new Parliament and the appointment of a new Commission. The benefits of enlargement are primarily political, entrenching peace and democracy and providing a basis on which to create 300,000 jobs across the present EU, and boost British GDP by £1.75bn. During 2004-05 the Department will need to make preparations for the UK's EU and G8 Presidencies during the second half of 2005 to ensure that the UK is able to make maximum use of these opportunities to shape the agenda and influence others.

7.10 Priorities for the year, and through the Presidency in 2005, will be to promote employment; to open up the European market in services; promote alternatives to regulations and outcome based regulation, at European as well as at national level (to promote the broader case for improving the regulatory framework in Europe, the Department will be actively involved in taking forward the Four Presidency initiative, with colleagues in Ireland, the Netherlands and Luxembourg); to encourage a more outward facing approach, in particular by developing ideas for competitiveness testing as part of impact assessment; and to improve European performance on innovation and R&D so as to improve progress towards making Europe the most competitive, knowledge-based economy in the world by 2010.

Achievements in 2003-04

Opening Markets in Europe

7.11 The Department worked with the Greek Presidency to secure a new remit for the

HIGHLIGHTS OF 2003–04

- Implementation of European Commission's Better Regulation Plan
- 5th World Trade Ministerial Conference in Cancun
- Agreement on taking forward the Trade-Related Aspects of Intellectual Property Rights/public health agreements from Doha
- USA withdrawal of steel safeguard tariffs

Competitiveness Council at the 2003 Spring Summit. This will allow the Council to look at legislative proposals in other EU policy areas that could impact significantly on competitiveness. The Council helped to secure significant changes to the Commission's proposals for the EU Chemicals Directive and will maintain close involvement in the detailed negotiation over the coming months.

INTERNAL MARKET IN SERVICES

7.12 The Department has been strongly engaged with the Commission and other Member States on draft proposals for a "Directive on Services in the Internal Market", which aims to eradicate the vast number of barriers impeding the cross-border provision of services and the freedom of service providers to establish themselves in other Member States. These proposals were published on 13 January 2004[4].

7.13 The proposed Directive is far-reaching in its scope and has the potential to open up the EU services sector and make a significant contribution to achieving the Lisbon targets on growth, competitiveness and employment. It would also eliminate much red tape and therefore supports the DTI's Better Regulation objectives. In the last Commission Scoreboard – published in January 2004, the UK again met the 98.5% overall target and narrowly missed (by one directive) the new 100% target for directives more than two years overdue. The Department will intensify its work with all UK stakeholders, EU institutions and Member States to support the liberalisation of the services sector in the EU.

EU ENLARGEMENT

7.14 The Department has been focusing and prioritising its efforts in supporting key accession countries, particularly on economic and single market issues, as they enter the final stages of the accession process. It has continued to be involved in providing a wide range of technical assistance to the new members, both in terms of short inwards and outwards visits from officials and longer term outward secondments under the EU's twinning programme.

7.15 Progress has also been made in the EU membership negotiations with Bulgaria and Romania, in line with the Government's commitment to continuing enlargement and to bolstering trade and co-operation across Europe.

INTER-GOVERNMENTAL CONFERENCE

7.16 Following 18 months of work by the Convention on the Future of Europe, a number of meetings of the Inter-Governmental Conference took place under the Italian Presidency of the EU, although the European Council was not able to reach an overall agreement on a draft constitutional treaty in December 2003. The Irish Presidency is currently assessing prospects for taking forward discussions through a series of bilateral meetings and will report to the Spring Economic Council.

7.17 Throughout these negotiations the DTI has worked closely with external stakeholders, such as the Confederation of British Industry (CBI)[5], Institute of Directors[6], British Chambers of Commerce[7] and the Trades Union Congress (TUC)[8].

4 Available at europa.eu.int/comm/internal_market/en/services/services/
5 Further details about the CBI and its activities can be found at www.cbi.org.uk/
6 Further details about the IOD and its activities can be found at www.iod.com/
7 Further details about the British Chambers of Commerce and its activities can be found at www.chamberonline.co.uk/
8 Further details about the TUC and its activities can be found at www.tuc.org.uk/

PREPARING BUSINESS FOR THE EURO

7.18 The Department played an active part in immediately briefing its key stakeholders following the Chancellor's announcement of HMT's assessment of the five economic tests on 9 June 2003. As flexibility in the UK economy is one of the five tests, the Department has played an influential role in looking at how to reform labour markets at national, regional and local levels. The Department continues to monitor trends in foreign direct investment.

World markets

WTO MINISTERIAL CONFERENCE IN CANCUN

7.19 The Department put much effort during 2003 in trying to secure a positive outcome at the WTO 5th Ministerial Conference in Cancun, which was held in September 2003. In particular, attention was focused on agriculture, improved industrial market access and affordable access to medicines – a satisfactory solution was reached on the last point in August 2003. Although WTO Members failed to secure agreement on future progress, the Department has supported the EU in taking a strong lead in engaging constructively and actively in order to get these negotiations back on track.

7.20 The Cancun Ministerial talks failed for a range of policy as well as process reasons. Whilst the Singapore issues (trade facilitation, government procurement, investment and competition) were highlighted as the ostensible cause, there were wider and complex reasons for failure, including disagreements on agriculture, on the handling of cotton subsidies and on what to do about the erosion of the value of preferences.

7.21 Since Cancun the Department, with OGDs, has reflected on addressing the issues of substance that prevented agreement and has sought to find ways to move forward. The Government will continue to work with its EU partners and the European Commission to re-affirm commitment to the current multilateral round of negotiations and to send a clear message of the importance of positive and flexible engagement, by the EU and all other WTO members, in the negotiations, taking particular account of the views of developing countries.

7.22 The Government strongly believes that the focus on development in the DDA offers the prospect of great benefits not just to the UK and Europe but also to developing countries and the global economy as a whole.

DEVELOPING COUNTRIES

7.23 Developing countries in particular, stand to gain from the market access part of the DDA negotiations, especially in agriculture, but also in industrial sectors such as textiles and clothing where they face high tariffs in both the developed and developing world. According to the World Bank, the continued cutting of agricultural and industrial tariffs could result in lifting an additional 300 million people out of poverty by 2015 – helping to make the Millennium Development Goals[9] on poverty reduction a reality.

7.24 Across all areas of the DDA there are commitments to provide for trade related capacity building and technical assistance to those members who need it including assistance (capacity building) in training negotiators, undertaking impact assessments, educative seminars and practical help with customs procedures. Both bilaterally and through the EU and the WTO, the UK is

9 Further details at www.un.org/news/press/docs/2001/pi1380.doc.htm

supporting this type of work in many developing countries.

7.25 The UK has sought liberalising outcomes for the net benefit of both the UK and developing countries in the EU's bilateral trade negotiations with Mercosur, in the negotiations now underway of the Economic Partnership Agreements under the Cotonou Agreement and the roll-over of the EU's Generalised Scheme of Preferences.

TRADE & GENDER

7.26 During 2003-04, and after a helpful dialogue with a number of non-government organisations, the Department has participated in a series of trade & gender seminars. With the assistance of the Women's National Commission[10] (WNC), a Gender Expert Group on Trade has been set up which will meet regularly to ensure that the gender dimension is taken into account in the formulation of the UK's trade policy.

STEEL

7.27 In November 2003 the WTO's Dispute Settlement Body (DSB) Appellate Body upheld the DSB Panel finding earlier in the year confirming the Department's view that the USA Government's imposition of additional customs duties of up to 30% on imports of a wide range of steel products in order to "safeguard" USA steel manufacturers from overseas competition was a breach of USA obligations under the WTO Safeguards Agreement.

7.28 Following this decision, and against the background of imminent retaliation against USA exports to the EU and Japan, and UK lobbying at the highest levels of the USA Administration, the USA withdrew the safeguard tariffs. In response, the EU immediately lifted its safeguard measures to prevent diversion of trade from the USA market.

7.29 Throughout the year, the Department, working in close consultation with industry and OGDs, has continued to encourage and support constructive European Commission engagement in continuing negotiations, under the auspices of the OECD, for a steel subsidies agreement reflecting the belief that multilateral dialogue rather than unilateral action is the right way to tackle international trade issues.

SERVICES

7.30 The Department has continued to play an active part within the European Community and the WTO in negotiations on the liberalisation of trade in services. Following the tabling in April 2003 of the European Community's initial liberalisation offer, negotiations have continued in Geneva bilaterally with individual WTO Members and multilaterally within the various WTO bodies involved in the negotiations. 40 offers have so far been tabled. The Department has worked with the European Commission to analyse these offers and assess how far they have addressed the Commission's requests for liberalisation made to WTO Members in 2002.

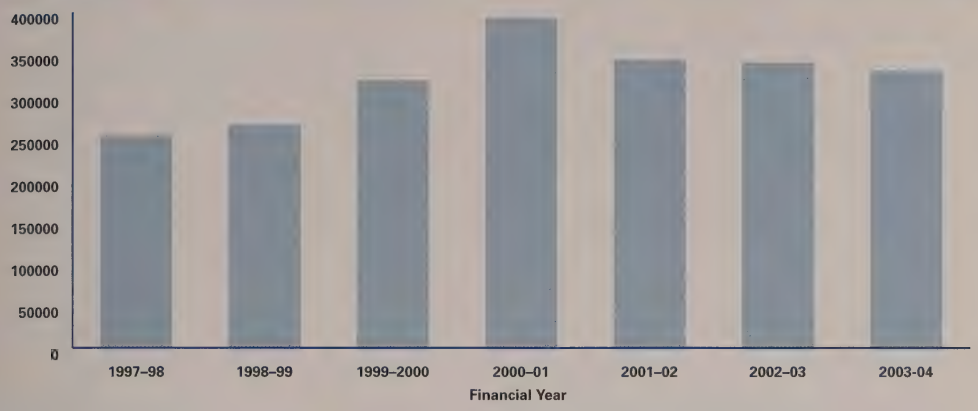
7.31 The Department has also taken part in discussions aimed at completing unfinished rules within the General Agreement on Trade in Services, although negotiations were suspended after the failure to reach agreement at the WTO Ministerial Conference in Cancun on how to take forward the DDA.

7.32 The DTI has also been involved in the services aspects of bilateral and regional trade agreements with some of the EU's trading partners and, on 18 December 2003, published its response to its consultation document "Liberalising trade in services – a new consultation on the World Trade Organisation GATS negotiations"[11].

10 Further details about the WNC and its activities can be found at www.thewnc.org.uk/

11 *"Liberalising trade in services. A new consultation on the World Trade Organisation GATS negotiations"*, October 2002 (URN 02/1403). Also available at www.dti.gov.uk/ewt/service.htm

Figure 7.1: Number of Import Licences issued



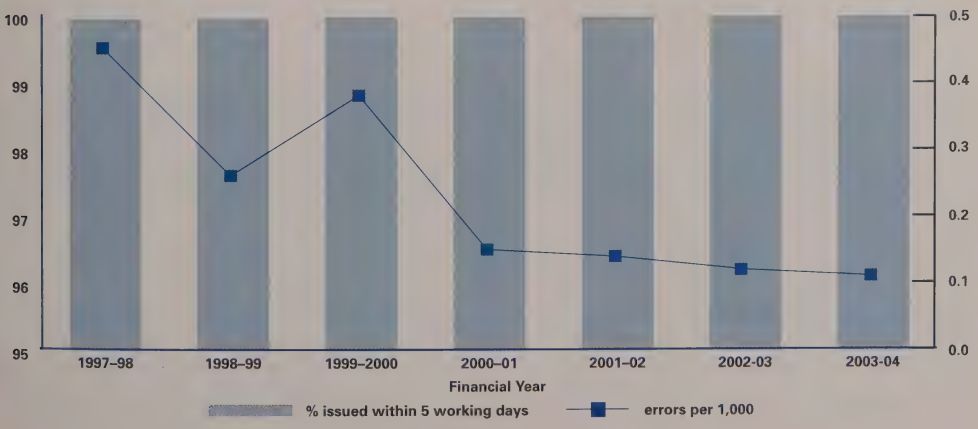
SITPRO LTD

7.33 SITPRO Ltd[12] was established under the Companies Act as a company limited by guarantee and is an executive Non-Departmental Public Body (NDPB) sponsored by the DTI, from whom it received Grant-in-Aid of £1,278,000 in 2003-04. As the UK's national trade facilitation agency, its primary focus is to make international trading easier for the benefit of UK economic operators. Examples of work that SITPRO has undertaken during 2003-04 include the development of a business case for a WTO multilateral agreement on trade facilitation and expansion of a research project on the regulatory costs of moving goods across international borders.

Import licences

7.34 The Department has responsibility for issuing import licences in accordance with UK and EU law. Its main customers are UK and other EU importers who deal in goods that are controlled. The Department expects to issue 330,000 licences[13] in 2003-04 (249,615 up to December 2003), a decrease of 6% on 2002-03 (Figure 7.1). In 2003-04 (up to December 2003) 99.8% of these licences were issued within five working

Figure 7.2: Number of Import Licences issued within 5 working days and error rate



12 Full details about SITPRO and its activities can be found at www.sitpro.org.uk
13 Excludes 5,000 import licences expected to be issued in March/April 2004

days, exceeding the target of 95%[14]. The DTI has continued to reduce the number of errors and the expected error rate for 2003-04 is one per 9,000 licences (or 0.11 per 1,000 licences), which is below the outturn for 2002-03 of one per 7,858 licences (or 0.13 per 1,000 licences) (Figure 7.2).

7.35 2004 is the last year in which an import licence will be required for most textile and clothing products, with the final phasing out of the Multi-Fibre Arrangement and Chinese footwear and ceramics quotas that together account for about 98% of all licences issued. Import licences will continue to be required for textiles and clothing from a small number of non-WTO countries, certain steel products, firearms and nuclear materials. Import controls continue on diamonds and anti-personnel mines.

Offshoring

7.36 The outsourcing of service-sector jobs abroad is referred to as offshoring, and the Department is actively engaged on this issue. In order to understand better what is happening and what motivates a company to offshore, the Department published a consultation paper[15] on 5 December 2003 outlining the main issues and highlighting areas for further research, with responses sought by 30 January 2004. In addition, a new Call Centres Competitiveness Study was launched with a view to reporting to Ministers in spring 2004, and the Department hosted a Round Table discussion with key business organisations, trade unions and other interested stakeholders on 2 February 2004.

Figure 7.3: Expenditure on Free and Fair World Markets (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**6.3**	**5.3**	**6.4**	**6.9**	**6.4**
of which:					
WTO commitments	3.4	3.6	4.0	4.0	4.0
SITPRO – NDPB	0.7	0.7	1.1	1.1	1.1
Other	1.2	1.0	1.3	1.7	1.3

14 These figures now exclude applications for a licence to import certain footwear and ceramics from China because those licences may not be issued until, typically, five weeks after the closing date for applications

15 *'Services and Offshoring: The impact of increasing international competition in services'*, December 2003 (URN 03/1624). Also available at www.dti.gov.uk/ewt

8 ENTERPRISE FOR ALL

Introduction
PSA Target 6
Plans for 2004-05
Achievements in 2003-04
Enterprise Culture
Disadvantaged Communities and Under-Represented Groups
Social Enterprise
Influencing Others

Introduction

The challenge for the Department is to "build an enterprise society, embracing all communities and groups of people".

8.1 In an age of rapid technological change and global competition, the capacity to innovate and adapt to change is crucial for the success of the UK economy. Being entrepreneurial, and starting and growing businesses, provide a source of competition and new ideas leading in turn to a more efficient 'churn' of businesses, enhanced productivity and economic performance. Despite a generally supportive environment and positive attitudes towards enterprise, the UK continues to lag behind the USA and many countries in Europe in terms of entrepreneurial activity.

8.2 There are a range of market failures that create significant obstacles to starting and growing a business, hamper the quality and early success of new businesses and ultimately prevent a dynamic start-up market from emerging. It is widely accepted that not all small businesses want to grow or can grow. There is, however, evidence that the proportion of UK small businesses that want to grow is greater than the numbers currently growing in practice.

8.3 Although the UK economy has seen sustained economic growth, low inflation and falling unemployment, persistent marked differences in levels of enterprise exist between and within UK regions. There are also marked disparities in rates of male and female entrepreneurship; and between the level of entrepreneurial activity in different ethnic minority groups.

8.4 If the potential economic and social benefits of enterprise are to be fully realised, it is vital that all individuals in society have equal opportunities to contribute to and gain from the benefits of a strong small business sector. It is widely accepted, however, that without at least some intervention, the market cannot always be relied upon to deliver the most efficient, or socially desirable outcomes.

PSA Target 6

8.5 The work carried out within this business objective contributes to the Department's PSA target 6 (SR2002)[1], to help build an enterprise society in which small firms of all kinds thrive and achieve their potential, with an increase in the number of people considering going into business, an improvement in the overall productivity of small firms, and more

1 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_6.htm

enterprise in disadvantaged communities.

Plans for 2004-05

8.6 In order to develop a more entrepreneurial culture and encourage a more dynamic start-up market, the Department will drive delivery of the enterprise targets set out in the Government's action plan for small business. The DTI will continue to support initiatives to help individuals and business overcome barriers to enterprise, and to encourage enterprise awareness, creativity and innovation. Examples of these initiatives include support for Enterprise Insight, the Enterprise Promotion Fund and the National Council for Graduate Enterprise which will promote self-employment to students and new graduates. The DTI will work with DWP to review the perceived impact of the benefits and tax credits system self-employment. The Department will work with the Regional Development Agencies (RDAs) to establish regional strategies in response to the Strategic Framework for Women's Enterprise[2].

8.7 The Department will actively promote enterprise in disadvantaged areas and among under-represented groups, including continuing to support the development of new and innovative business support products for those communities through the Phoenix Development Fund and improving access to finance through a network of Community Development Finance Institutions (CDFIs).

8.8 The DTI will implement the Government's Social Enterprise Strategy[3], creating an enabling environment and making social enterprises better businesses, whose value is clearly established. It will also introduce BRIAN (Business Research Information Analysis Navigator), a benchmarking tool for social enterprises.

Achievements in 2003–04

Enterprise culture

8.9 The Small Business Service (SBS) has provided £0.75m to Enterprise Insight towards the development of a National Campaign to raise awareness of enterprise amongst young people, with a proposed annual Enterprise Week as its focal point. It has also continued to provide funding of £250,000 to support the Young Enterprise's Entrepreneurship Masterclass, Graduate Programme and Innovation Awards, which are all aimed

HIGHLIGHTS OF 2003–04

- Bill introduced into Parliament that creates a new form of company for some social enterprises, Community Interest Companies
- Launched the Enterprise Promotion Fund
- Developed and published the Government's Comprehensive Strategy for Start-ups
- The Global Entrepreneurship Monitor for 2003 reported an ongoing upward trend in the UK for female entrepreneurs
- Established the National Council for Graduate Enterpreneurship
- Accredited 23 Community Development Finance Institutions to offer the Community Investment Tax Relief to investors

2 Full text available at www.sbs.gov.uk/content/consultations/womensframework.pdf
3 Further details available from www.dti.gov.uk/socialenterprise/strat_success.htm

at giving young people the opportunity to develop enterprise skills in an experiential environment and celebrating successes.

8.10 The SBS launched a Review of the Routes off Benefits into Self-Employment that is aimed at developing a communications strategy to enhance awareness of support available. Separate reviews are planned to look at: the Impact of Childcare Availability on Choices between Enterprise and Employment; and Enterprise Awareness training for Public Sector Employees[4].

8.11 During 2003-04 the SBS helped establish the National Council for Graduate Entrepreneurship and launched the Enterprise Promotion Fund. This Fund aims to stimulate innovative activities designed to raise enterprise awareness. To date, 22 projects have been supported through the Fund.

8.12 In conjunction with the HO's Immigration and Nationality Department, the DTI has developed communication tools to raise awareness of support available to help businesses find out how to recruit talent from abroad, and to help people from abroad find out how to start a business in the UK.

Disadvantaged communities and under-represented groups

8.13 During the year the SBS has been working with HMT on developing awareness of opportunities for entrepreneurship in Enterprise Areas (the most disadvantaged 2,000 wards in the UK) and have been giving special attention to focusing existing activities in these locations. This activity has included grants for incubation feasibility studies, projects with housing associations and a focus on Enterprise Areas in the second round of City Growth Strategies.

8.14 In May 2003, SBS launched a strategic framework for women's enterprise and is working with the RDAs and women's enterprise support groups to implement the framework and deliver a significant increase in women-led enterprises.

8.15 SBS initiated pilots in the West Midlands and Haringey, London, to increase access to Government procurement opportunities with a strong focus on ethnic minority and women-owned small businesses.

THE PHOENIX FUND

8.16 This year the SBS has provided support to the value of £27.5m (current estimate) from the Phoenix Fund[5]. This included £8.6m (current estimate) to support Phoenix Development Fund (PDF) projects, and also announced 26 new projects which were successful during 2003-04 in securing funding under the "Building on the Best" bidding round.

8.17 The Phoenix Fund also supports a network of almost 60 CDFIs which provide loans to viable enterprises that are unable to access finance from conventional sources. 23 CDFIs have been accredited to offer the Community Investment Tax Relief (CITR) to individual and corporate investors from whom they intend to raise approximately £100m of investment over the next three years.

GLOBAL ENTREPRENEURSHIP MONITOR

8.18 The 2003 Global Entrepreneurship Monitor (GEM) UK report was published in January 2004. It shows encouraging results both in terms of Total Entrepreneurship Activity and attitudes to enterprise. The findings on women's enterprise show the percentage of women who are entrepreneurs rising from 3.3% in 2002 to 3.8% in 2003, and 33.1% of women agreeing that there

4 SBS reports and reviews are available from www.sbs.gov.uk/default.php?page=/7-strategies/implementation-plan.php
5 Further details about the Phoenix Fund available from www.sbs.gov.uk/default.php?page=/phoenix/default.php

were good opportunities for starting a business, compared with 22.1% in 2002.

Social enterprise

8.19 Social enterprises are businesses that offer economically sustainable business solutions to a variety of market and social issues. As well as creating economic value through their own activities, they also help to create new markets, goods and services, all of which have a positive effect on mainstream business. The Department has given almost £1m support towards activity to promote the growth and development of the social enterprise sector in 2003-04.

8.20 In October 2003 the Department published a report[6] on the progress that has been made on implementing the Government's three-year strategy for social enterprise. Highlights of the report include coverage of social enterprises in a Bank of England publication and the inclusion in the Companies (Audit, Investigations and Community Enterprise) Bill of a new form of company designed to meet the needs of some social enterprises, the Community Interest Company.

8.21 The Government's action plan for small business and the Business Link Operators' delivery plans now include support for social enterprises. In addition, all of the Department's business support products are available to eligible social enterprises in the same way as to other types of business.

8.22 In July 2003 the Department published a research report, *Guidance on mapping social enterprise*[7], which reviewed the extent of existing knowledge of the sector, drawing out good practice in mapping social enterprise, and recommended a methodology to map social enterprise UK-wide.

Influencing others

EUROPE

8.23 The Department contributed to, and co-ordinated the UK's response to the European Commission's Green Paper on Entrepreneurship in June 2003. The response covered a wide range of issues, including raising awareness of enterprise and valuing entrepreneurship, better regulation, improving access to finance and encouraging more enterprise in disadvantaged communities and under-represented groups, as well as strengthening the voice of SMEs in policy-making.

Figure 8.1: Expenditure on Enterprise for All (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**16.0**	**23.2**	**34.7**	**32.9**	**32.9**
of which:					
Phoenix Fund	12.9	19.8	30.0	25.0	25.0
Promotion of Enterprise/Enterprise Culture	0.7	0.9	1.0	2.0	2.0
Social Enterprise Unit/Start-ups	0.4	0.2	1.0	3.0	3.0
Under-represented Groups	–	–	–	1.0	1.0
Research and Evaluation/Other	1.1	0.8	1.1	1.9	1.9
Service Development	0.9	1.5	1.6	–	–

6 *"A progress report on Social Enterprise: a strategy for success"* available at www.dti.gov.uk/socialenterprise/pdf/strat_success.pdf
7 Further information available at www.dti.gov.uk/socialenterprise/news-mapping.htm

9 STRENGTHENING REGIONAL ECONOMIES

Introduction
PSA Target 7
Plans for 2004-05
Achievements in 2003-04
England's Regional Development Agencies
Promoting the Regional Agenda
The Government Offices
Regional Selective Assistance
European Union Structural Funds
Influencing Other Government Departments

Introduction

The challenge for the Department is to "strengthen regional economies through sustainable improvements in the economic performance of all English regions and closing the gap in growth rates between the regions".

9.1 The prosperity of the UK economy is dependent on strong regional and local economies. Economic performance (in terms of productivity and employment) varies across and within areas of the UK. These differences are deeply rooted and have persisted for most of the last century and the intra-regional disparities make the UK different from other European countries. Bringing Gross Value Added (GVA) per head in the under performing regions up to the English average would increase activity in the economy by around £1,200 per person each year.

9.2 The DTI, together with HMT and ODPM, has made some progress over the past year at identifying the factors that cause these differences, focusing attention on employment and the five drivers of productivity – skills, investment, infrastructure, enterprise and competition and its conclusions are being fed into developing Government policies wherever appropriate. All DTI policies should take the regional dimension into account.

9.3 The Government's approach to improving regional performance is to support and strengthen regional leadership, empower the regions to generate their own solutions in the light of their particular strengths and weaknesses and ensure the optimum fit between national and regional policies. England's Regional Development Agencies (RDAs) and the Government Offices (GOs) are central to this process and the Department works with them to ensure that they fulfil their remit as effectively as possible. It also works to ensure that changes in European regional policy, including the enlargement of the EU, are aligned to the regional development of the UK.

PSA Target 7

9.4 The work carried out within this business objective contributes to the Department's PSA target 7 (SR2002)[1], to make sustainable improvements in the economic performance of all English regions and over the long term reduce the persistent gap in growth rates

1 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_7.htm

between the regions, defining measures to improve performance and reporting progress against these measures by 2006. This is a joint target for the Department with ODPM and HMT.

Plans for 2004-05

9.5 The DTI will develop a new partnership model that will help the Department and the RDAs to work together more effectively, it will implement a new approach to tasking the RDAs across Whitehall, and review the way the RDAs are funded and their performance is monitored. It will also continue to work to improve the diversity and quality of applicants for RDA Chair and other Board appointments.

9.6 The level of R&D, innovation and technology transfer in the regions will be boosted by developing the RDA role in the second round of the Higher Education Innovation Fund (HEIF)[2]. The RDAs are committed to the establishment of Science and Industry Councils or their equivalent, and they are being put in place in all the regions during 2004.

9.7 The DTI will lead for the UK in the negotiations on the European Commission's proposed Regulations for Structural Funds after 2006, due to start in summer 2004, and ensure that any changes to European regional policy following EU enlargement are consistent with the UK's regional policy.

9.8 The DTI will work to influence OGDs and relevant bodies, such as the Strategic Rail Authority (SRA)[3] and the Highways Agency[4], to ensure that land use planning, transport policy and other relevant decision-making processes meet the needs of the UK economy – its business and regions.

Achievements in 2003-04

England's Regional Development Agencies

9.9 The DTI is the lead sponsor for the nine English RDAs, including the London Development Agency (LDA), with the GOs responsible for day-to-day sponsorship issues.

9.10 The RDAs' statutory areas of activity cover economic development and

HIGHLIGHTS OF 2003–04

- Completion of a UK-wide consultation on the future of the Structural Funds post-2006. UK Government position confirmed and further details provided in 2 separate statements to Parliament
- A highly successful outcome for current UK Structural Funds programmes against 2003 expenditure targets
- A recent NAO report applauded the RDAs for the work they have done so far and DTI's continuing efforts to reduce burdens on them
- Development of new Business Support product supporting productive investment in the assisted areas
- Establishment of a new unit to strengthen DTI's influence on transport and land-use planning policies
- A series of 3 regional economic seminars held jointly with the Regional Studies Association to develop and share the evidence base

2 See *"Investing in Innovation"* (July 2002) which sets out the Government's strategy for science, engineering and technology.
3 Further details of the SRA and its activities available at www.sra.gov.uk/
4 Further details about the Highways Agency and its activities at www.highways.gov.uk/

regeneration, promoting business efficiency, investment and competitiveness, promoting employment and skills development, and contributing to the achievement of sustainable development in the UK. They also have a role in promoting regional tourism and commissioning regional transport studies via regional planning bodies.

9.11 The RDAs are the key stakeholders in taking forward the ODPM's Sustainable Communities Action Plan[5] and following the publication of the National Skills Strategy[6] in July 2003, they are leading on the development of Regional Skills Partnerships which are intended to deliver more effective, integrated action on skills at a regional level.

9.12 With other Departments, the DTI agreed and issued guidance to the RDAs, which was used in preparing their Corporate Plans for 2003-06. Individual RDA targets were published in these Plans[7].

9.13 A new publication "Regional Competitiveness and the State of the Regions"[8] was introduced in 2003, amalgamating two previous publications and making a number of changes following a consultation exercise, including the introduction of 11 core indicators for RDA performance evaluation.

RDA ACHIEVEMENTS IN 2003-04

9.14 RDAs offer a regional contribution to national policy on skills. They have co-ordinated responses to the Lambert Review, Higher Education (HE) White Paper and the National Employment Plan. RDAs have led the development of the first wave of Regional Strategic Partnerships scheduled for launch by April 2004 and have also committed to work with DEFRA on the implementation of Lord Haskins' Rural Delivery Review[9].

9.15 RDAs have worked with local communities to draw up long-term visions for their towns, such as Yorkshire Forward's widely publicised vision of Barnsley as a Tuscan Hill Town. They have also been involved in ongoing restructuring and retraining where factories are facing mass redundancies. Major interventions include the Vauxhall plant in Luton, Ingersoll Rand in Burnley, Rolls Royce in Derby and the Selby Coalfield.

9.16 RDAs have reported measurable outputs to Government (numbers of jobs and businesses created, remediation of brownfield land and the use of learning opportunities). These can be viewed on the DTI website[10]. For more information about these and other RDA achievements their annual reports can be viewed on the respective websites[11].

9.17 The RDAs receive all their funds as a single funding stream, which gives them the flexibility to meet their regional development priorities subject only to approval by Government of any significant changes to the Corporate Plans published in August 2002. In 2003–04, the DTI provided £272.9m[12] of the RDAs' £1.896m, which includes £112.1m unused funding carried forward from previous years. In 2004-05, the DTI will contribute £224.9m[13] of the £1,864m available. This is allocated between Regions as set out below. The figures include resource and non-cash items, so that they can be compared

5 Further details at www.odpm.gov.uk/stellent/groups/odpm_communities/documents/sectionhomepage/odpm_communities_page.hcsp
6 Available at www.dfes.gov.uk/skillsstrategy
7 Further information about the RDAs and their activities are available from these websites: www.nwda.co.uk, www.seeda.co.uk, www.onenortheast.co.uk, www.southwestrda.org.uk, www.wmda.co.uk, www.eeda.org.uk, www.emda.org.uk, www.yorkshire-forward.com and www.lda.gov.uk
8 Available at www.dtistats.net/sd/rci/index.htm. The previous publications were the Regional Competitiveness Indicators and the RDA 'State of the Region' core indicators.
9 Further details at www.defra.gov.uk/rural/ruraldelivery/default.htm
10 www.dti.gov.uk
11 These are available at www.rdauk.org
12 Includes provision of £77.2m for non-cash costs
13 Includes provision of £77.2m for non-cash costs

with figures elsewhere in the report and with previous years.

Figure 9.1: Total Government funding for RDAs, £ million

	2003-04 budget (net allocation)	2004-05 Plans (SR2002)
Advantage West Midlands	254	230
East of England Development Agency	86	90
East Midlands Development Agency	132	121
London Development Agency	319	326
North West Development Agency	334	341
One North East	226	225
South East of England Development Agency	144	124
South West of England Regional Development Agency	104	107
Yorkshire Forward	266	256
RESERVE	30	97
TOTAL	**1,896**	**1,864**

Promoting the regional agenda

DEVELOPING A CLOSER PARTNERSHIP BETWEEN DTI AND THE RDAS

9.18 Following the identification of 'Strengthening Regional Economies' and 'Forging Closer Partnerships with Key Economic Players' as strategic priorities[14], the DTI developed a new partnership model for its relationship with the RDAs. The aim is to work much more closely together in developing and implementing policy so that both DTI (including the GOs) and the RDAs are more able to achieve their objectives. The new partnership based approach was launched at a joint seminar chaired by the Secretary of State on 2 March 2004.

HIGHER EDUCATION INNOVATION FUND

9.19 The Department is boosting the level of innovation and technology transfer in the regions by developing the RDA role in the second round of the HEIF.

CLUSTER POLICIES

9.20 Cluster polices are now embodied within the RDA strategies. In December 2003 the Department published the conclusions of the ECOTEC Research and Consulting study into the critical success factors in cluster development together with a practitioner guide to cluster development.[15]

The Government Offices

9.21 The GOs, managed by the Regional Co-ordination Unit in ODPM, provide a regional network for many central Government departments, including the DTI. Implementation of the Performance and Innovation Unit's report *"Reaching Out"*[16] continues to broaden the role of the GOs, increasing their impact with their Whitehall parent departments, and improving co-ordination in Whitehall between different Government departments that have a regional or local impact.

9.22 The DTI uses GOs to support its objectives, by placing reliance on them to provide a regional perspective and share their experience in working closely with other departments' agendas. The key areas for which the DTI relies on GOs are in their responsibilities for monitoring the RDAs and, working with other regional partners, helping to implement their regional economic strategies, influencing policy development in the DTI and other central Government departments, providing regional intelligence and for

14 Detailed further in the DTI's Strategy, available from www.dti.gov.uk/about/strategy2003.html
15 Available at www.dti.gov.uk/clusters/ecotec-report/index.html
16 Available at www.number-10.gov.uk/su/reaching/regions/default.htm

implementing most of the EU Structural Fund Programmes in England.

Regional Selective Assistance

9.23 Regional Selective Assistance (RSA) has been a key instrument of the DTI's regional industrial policy. The Scheme is discretionary and is available to domestic and overseas firms investing in the Assisted Areas[17]. The Scheme has three complementary goals: to create and safeguard jobs; to attract and retain internationally mobile investment; and to contribute to improving the competitiveness of disadvantaged areas.

9.24 Projects receiving RSA offers in the English regions during the year include: £50m to Ineos Chlor for the modernisation of a chlor-alkali plant in Runcorn securing over 2,000 jobs; and £2.9m to Pendennis Shipyard for dry dock installation in Falmouth creating 83 new jobs and securing a further 173.

9.25 Details of the applications and offers made for RSA and Enterprise Grants are published in the Annual Report made to Parliament under the Industrial Development Act 1982[18].

9.26 From April 2004, the new business support product replacing RSA in England will have an increased focus on improving productivity and raising skill levels in Assisted Areas.

European Union Structural Funds

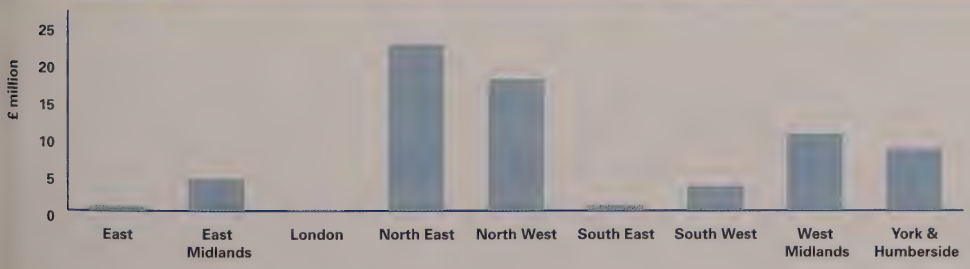
9.27 The DTI is responsible for co-ordinating UK policy on the European Structural Funds (ESF) and implementation of the Funds at the UK level. The Funds aim to promote regional economic development through support for business, research and development, innovation, regeneration and skills and training.

9.28 The Department works closely with the GOs, Devolved Administrations and OGDs that are responsible for implementing Structural Funds programmes in the UK. It takes the lead in representing the UK Government's position in Brussels and also works at the UK level to support programme implementation and achieve best value for money from the Funds, including through the exchange of best practice and financial monitoring.

9.29 For the period from 2000 to 2006, the UK has Structural Funds allocations of €16.6bn (approximately £10.7bn at 1999 exchange rates). Expenditure under the European Regional Development Fund (ERDF) (the largest of the Structural Funds) on business support and other activities that support the DTI agenda has grown in recent years. During 2003-04 work was undertaken to promote use of the funds with the Department's new business support products.

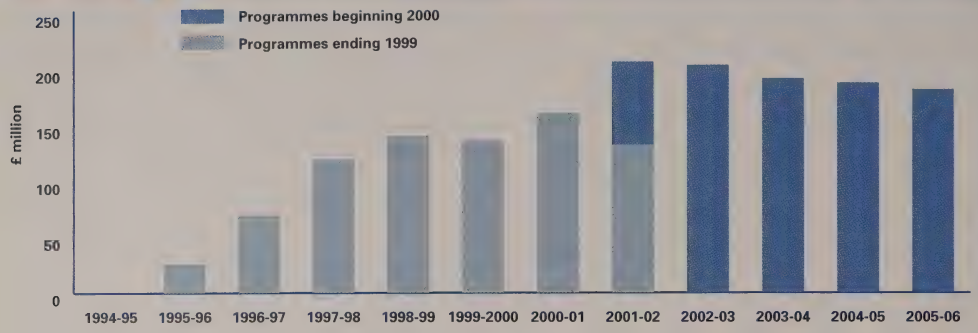
9.30 The Structural Funds Regulations require individual programmes of expenditure to

Figure 9.2: Expected RSA expenditure by region for 2003-04 (£ million)



17 Further information about RSA is available from www.dti.gov.uk/support/rsajf2512001.htm
18 Industrial Development Act 1982 Annual Report. ISBN 0-10-291043-X

Figure 9.3: European Regional Development Fund Provision (DTI element – £ million)



meet annual spend targets to avoid loss of funding. 2003 was the first year in which all UK programmes had targets to meet and, with the exception of a small under-spend in the fisheries programme outside Objective 1, these were all achieved.

9.31 Current Structural Funds programmes last until 2006. Discussions are currently underway on a new round of Cohesion policy for 2007 onwards, which will have to take account of enlargement.

9.32 Following a UK-wide consultation on the future of the Structural Funds post-2006, the Secretary of State confirmed in a statement to Parliament on 17 September 2003 that the UK Government's proposal for an EU Framework for Devolved Regional Policy would form the basis of its negotiating position in Europe. Under this proposal, EU Member States would agree a set of common, outcome-focused objectives for economic and social cohesion, based on the priorities set at the Lisbon European Council of March 2000. More prosperous Member States, such as the UK, would fund their own regional policy with EU resources concentrated on the poorer Member States. On 11 December 2003, the Secretary of State made a second statement to Parliament providing further information on how the proposed approach could work in practice and responding to questions raised during the consultation exercise[19].

Influencing other Government departments

9.33 During 2003-04, the Department successfully contributed to the Aviation White Paper, which was published by the Department for Transport in December 2003[20]. Reaction from the business community has been broadly favourable.

9.34 The DTI has also successfully contributed to the ODPM review of Planning Policy Statement 6: Planning for Town Centres. The revised document[21] places a greater emphasis on positive planning for retail development.

19 Further details at www.dti.gov.uk/europe/whatsnew.html
20 Full text of the White paper and further details available from www.dft.gov.uk/aviation/whitepaper/
21 Available at www.odpm.gov.uk/stellent/groups/odpm_planning/documents/page/odpm_plan_026232.hcsp

Figure 9.4: DTI/UK Trade and Investment expenditure on Strengthening Regional Economies (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**415.6**	**452.7**	**492.2**	**528.6**
of which:				
Regional Selective Assistance[1]	43.0	55.0	55.0	55.0
RDA Single Pot	158.5	180.4	224.9	282.5
ERDF expenditure[2]	202.8	191.4	186.3	176.4
Rover Task Force	11.3	20.9	13.5	2.2
University Innovation Centres	–	5.0	12.5	12.5

[1] RSA expenditure of less than £2m is now part of the RDA Single Pot. With effect from 1 April 2004, RSA transferred to new product SFI.
[2] ERDF Agency payments are recorded on the ODPM Request for Resources

10 SCIENCE AND ENGINEERING

Introduction
PSA Target 2
Plans for 2004-05
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Exploitation
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International Achievements

Introduction

The challenge for the Department is to "improve the relative international performance of UK science and engineering and its use by Government and society".

10.1 There are strong links between science, innovation, productivity and subsequent sustainable economic growth. A vibrant Science and Engineering Base (SEB) is one of the key drivers of future UK economic success. The DTI is working to create a virtuous circle of innovation, where the very best research leads on to the successful exploitation of ideas and knowledge by business, and others. The UK SEB is already world class. With 1% of the world's population, it produces 8% of the world's scientific papers and receives 9% of the world's citations of scientific papers. Overall UK scientific performance is a clear second to the much larger USA, and significantly ahead of larger countries including Japan, Germany and France.

10.2 But this world-class research base must be sustained and developed. Links with business and other users need to be further strengthened. The department must encourage greater public engagement with science and a dialogue that leads to an improved mutual understanding between scientists, policy makers and the public. This is an area that has assumed an increasing importance as a result of issues such as BSE[1], Genetically Modified (GM) food and MMR[2]. The private sector is reluctant to invest heavily in high-risk and long-term fundamental research, but the Department is committed to funding basic research and creating an environment where it can thrive. This research also provides a base, in the form of facilities and trained people, that can be used for more directed research supporting evidence-based policy making right across Government.

10.3 The Department, through the Office of Science and Technology (OST), supports the Government's Chief Scientific Advisor, ensuring that good science is used effectively by Government departments, promoting UK involvement in EU science and technology activities and, more generally, UK science and technology abroad through bilateral and networking agreements. The OST is now investing approximately £2.5bn per year in UK research – key areas of spend include increased investment in Research Council core activities, new

1 Bovine Spongiform Encephalopathy
2 Measles, Mumps and Rubella Vaccine

high priority research programmes, better support for PhD students, £250m for university infrastructure and £40m for knowledge transfer. This investment underpins wider Government objectives, including improved healthcare and a cleaner environment.

PSA Target 2

10.4 All of the work carried out within this business objective contributes to the Department's PSA target 2 (SR2002)[3], to improve the relative international performance of the UK's science and engineering base, the exploitation of the science base, and the overall innovation performance of the UK economy.

10.5 As part of this work, the Department commissioned work to define a set of indicators and develop a series of metrics, which will be used to assess this improvement. The report[4], complete with indicators, which was completed in October 2003, shows that on many indicators the UK ranks second only to the USA. The UK is highly productive in terms of both citations and labour productivity, leading the G8 for citations per unit of expenditure on publicly performed R&D.

Plans for 2004-05

10.6 The Department will continue to ensure that Government-funded science programmes meet the country's future requirements, including the quality, number and subject balance of scientists and engineers qualified at post-graduate and post-doctoral levels, fundamental and strategic research and access to advances in science, engineering and technology that are being generated outside the UK. Working with HMT and DfES, the DTI will develop a 10-year investment framework for Science and Innovation, and take forward the Science and Society agenda.

10.7 The DTI will continue to advise on the UK's overall performance in Science and Technology (S&T), encouraging more effective exploitation of S&T to meet the needs of business, Government and the Public Services and pursuing the UK's S&T interest in the EU and the rest of the world.

10.8 Working with HMT, the Department will complete reviews of OGDs' science and innovation strategies, in order to assist in improving the way in which S&T is used in support of policy, regulation, and operations and ensuring that across Government the regulation of new technologies takes due account of social, ethical, health and safety, environmental and economic considerations.

10.9 The EU is a major supporter of research and development through the Framework Programmes. The UK must influence the shape and make best use of these programmes, and of other opportunities for international collaboration, especially in the run-up to the 7th Framework Programme and a possible European Research Council.

10.10 Following a quinquennial review of the Council for Science and Technology[5] (CST), the Government's top-level advisory body on major science and technology, a new Council will be launched in 2004. In addition, a new Research Council, the Arts and Humanities Research Council, will be launched.

3 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_2.htm
4 Available at www.ost.gov.uk/policy/psa_target_metrics.pdf
5 Full text available at www.ost.gov.uk/policy/bodies/Quinquennial_Review_CST.pdf

Achievements in 2003-04

HIGHLIGHTS OF 2003–04

- Series of metrics produced showing UK Research Base second only to the USA in many areas
- Research Base Funders Forum established
- Major research facilities being constructed – the Diamond Synchrotron and the second Target Station for the ISIS neutron source
- Forward Look of Government-funded science, engineering and technology published in July 2003
- Internet portal to science in Government, SiG-Net, piloted for extended evaluation in January 2004
- GM science review published in January 2004
- In March 2004 the DTI, HMT and DfES, announced plans for a 10-year investment framework to ensure that the UK is one of the most competitive locations for science, research, development and innovation.
- A Strategic Review of LINK Collaborative Research, undertaken by an independent panel, was published in September 2003

Research sustainability

DUAL SUPPORT REFORM CONSULTATION

10.11 Central to Government SEB policy is the need to put the UK Research Base on a sustainable footing and to this end the Dual Support Reform Consultation[6] was launched on 28 May 2003. The Consultation received 162 responses and it is envisaged that the Government's formal response to the consultation will be published in spring 2004.

10.12 A separate study[7] was undertaken to examine how to improve the sustainability and strategic coherence of the £1.6bn non-university public research sector.

RESEARCH BASE FUNDERS FORUM

10.13 The Higher Education White Paper "Investing in Innovation"[8] proposed the establishment of the Research Base Funders Forum, to promote dialogue between funders, users and providers of the research base. The Forum held its inaugural meeting on 26 September 2003, with membership including representatives from industry, charities, the university sector and Government departments. The Forum's initial remit covers sustainability and research strategy issues.

Research Councils

THE RESEARCH COUNCILS

10.14 The Department funds the seven UK Research Councils (RCs): the Biotechnology and Biological Sciences RC, Council for the Central Laboratory of the Research Councils, Engineering and Physical Sciences RC, Economic and Social RC, Medical RC, Natural Environment RC and Particle Physics and Astronomy RC. These RCs provide funding for high quality scientific research, training and world-class facilities. The Department provides funding for them through Grant-in-Aid.

6 Available at www.ost.gov.uk/research/dualsupport.htm
7 RIPSS (Research Council Institute and Public Sector Research Establishment Sustainability Study)
8 Available at www.ost.gov.uk/policy/science_strategy.pdf

Figure 10.1: Research Councils Capital Assets (£ million)

	Land and Buildings	Leased Land	Plant and Machinery	Information Technology	Ships, Aircraft and Vehicles	Equipment, Fixtures and Fittings	Assets Under Construction	Total
Net Book Value: At 31 March 2003								
BBSRC	177,399.0	–	–	–	–	1,033.0	1,132.0	179,564.0
CCLRC	150.9	4.1	100.7	–	–	–	42.0	311.3 [a]
ESRC	2,567.0	–	–	–	–	3,278.0	–	5,845.0
EPSRC	4.1	–	–	–	–	1.6	–	5.7
MRC	128.8	–	0.6	–	–	48.3	9.0	186.8
NERC	115.3	–	0.8	–	57.8	15.9	14.6	204.4
PPARC	34.3	–	19.4	0.3	–	–	7.3	61.3
Total	**180,399.4**	**4.1**	**121.5**	**0.3**	**57.8**	**4,376.8**	**1,204.9**	**186,164.9**

[a] Consolidated total, including £13.7m Interest in DLS Joint Venture

Figure 10.2: Breakdown of significant international subscriptions by the Research Councils (£ million)

Research Council	Organisation/Activity	2002-03	2003-04	2004-05	2005-06
EPSRC	Institut Laue-Langevin*	8.7	–	–	–
	European Synchrotron Radiation Facility*	5.5	–	–	–
	European Science Foundation	0.2	0.2	0.2	0.2
Total		**14.4**	**0.2**	**0.2**	**0.2**
CCLRC	Institut Laue-Langevin*	–	10.8	12.8	14.0
	European Synchrotron Radiation Facility*	–	6.1	6.6	6.7
Total		**–**	**16.9**	**19.4**	**20.7**
MRC	European Molecular Biology Conference	1.7	1.1	1.3	1.4
	European Molecular Biology Laboratory	6.2	7.1	7.2	7.4
	International Agency for Research on Cancer	0.8	0.8	0.7	0.7
	Human Frontier Science Programme	0.9	0.8	0.8	0.8
Total		**9.5**	**9.7**	**10.0**	**10.3**
NERC	Ocean Drilling Programme	2.0	1.0	–	–
	European Space Agency		41.3	41.0	41.6
	European Science Foundation	0.2	0.2	0.1	0.2
	New Initiatives		0.4	0.8	0.7
Total		**2.2**	**42.9**	**41.9**	**42.5**
PPARC	European Space Agency	34.5	45.9	45.7	60.6
	Anglo-Australian Telescope	1.3	1.3	1.5	1.5
	European Incoherent Scatter Facility	0.5	0.5	0.5	0.5
	European Organisation for Nuclear Research	68.9	72.7	74.5	74.1
	European Southern Observatory	10.7	14.0	17.8	22.7
Total		**115.9**	**134.4**	**140.0**	**159.5**
European Science Foundation		0.1	0.1	0.1	0.1
TOTAL		**142.1**	**204.3**	**211.6**	**233.2**

*Note that from 2003-04 responsibility for both ILL and ESRF transferred to CCLRC from EPSRC

Figure 10.3: Research Councils' Income from Grant-in-Aid as a Percentage of Councils' Total Gross Expenditure and the total Science Budget, 2003–2004

Research Council	% of Councils' Total Expenditure	% of Total Science Budget
BBSRC	96.4%	10.8%
ESRC	98.3%	3.8%
EPSRC	108.0%	19.0%
MRC	75.3%	14.7%
NERC	65.0%	8.3%
PPARC	74.6%	9.5%
CCLRC	8.0%	0.6%

Figures 3.1 and 3.2 give details of all RCs' capital assets and expenditure on international subscriptions and detailed information on their activities is provided on their respective websites and through publications such as their annual reports[9].

10.15 The Department reviews the accounts, planned expenditure and operational objectives of the RCs to ensure that they deliver in ways that are efficient and effective. It also leads in assessing the past, current and likely future impact of RC investments on the Science Budget's strategic objectives for research, training, knowledge transfer and science and society.

10.16 Research Councils UK (RCUK)[10] was launched in May 2002 and a review in 2003 concluded that it had made a promising start. The review recognised that the RCUK's objectives had evolved and expressed some concerns about the clarity of rationales, roles and responsibilities in a number of areas. The RCUK Strategy Group endorsed the review in June 2003 and agreed the next steps to implementing its 13 recommendations[11]. In addition RCUK published a Vision for the RCs' research over the next 10-15 years[12], and a Synthesis of Strategies[13], providing a picture of the current shape of research and identifying emerging opportunities and challenges, as well as how they will respond to these.

RESEARCH PRIORITIES

10.17 The e-Science research programme aims to increase the effectiveness and productivity of UK science and engineering by addressing the major challenges in processing, communication, storage and visualisation. It will allow research to be carried out that would otherwise be impossible, or carried out at a much faster rate and enable global collaboration in key areas of science. A UK Grid test bed has been constructed around the academic SuperJANET4 network, eight regional e-Science centres have been set up, headed by a National e-Science centre in Edinburgh and recently supplemented with five further Centres of Excellence, an e-Science community has been established and produced a number of successful application projects, industry has been engaged and a national institute set up to act as an international focal point.

10.18 Fifteen projects have already been funded under the Basic Technology Research Programme with a total investment of £41m. three cross-council regional seminars (in Leeds, London and Edinburgh) were held during March 2003, the Particle Physics and Astronomy RC (PPARC) organised a

9 Details of the Research Councils' Annual Reports can be found at: www.bbsrc.ac.uk/, www.cclrc.ac.uk/, www.esrc.ac.uk/, www.epsrc.ac.uk/, www.mrc.ac.uk/, www.nerc.ac.uk/, www.pparc.ac.uk/.
10 Further details at www.rcuk.ac.uk/
11 Further details at www.rcuk.ac.uk/documents/review.pdf
12 Available at www.rcuk.ac.uk/documents/vision_final.pdf
13 Available at www.rcuk.ac.uk/documents/synthesis_final.pdf

special meeting for its research community and other local open meetings were also arranged.

10.19 The Rural Economy & Land Use Programme[14] was formally launched in October 2003, with events in London and around the regions. A call for proposals was issued in September 2003 on 'Successful and sustainable food products and food chains', together with a call for smaller scoping studies. Future calls will address the other three key themes – "Integrated solutions for land and water resource use and management"; "The environmental basis of rural economies and regeneration"; and "Economic and social interactions with the rural environment".

BRITISH NATIONAL SPACE CENTRE

10.20 Following the review of the BNSC[15] in 2002, approximately £50m was transferred to the RCs from 2003-04. This has been incorporated into the baselines of the Natural Environment RC (NERC) and PPARC, who are now fully responsible for European Space Agency (ESA) subscriptions for Earth observation, and astronomy and planetary science respectively.

DIAMOND SYNCHROTRON

10.21 The Diamond synchrotron source[16] is the largest scientific facility to be built in the UK for 30 years. The site has been prepared and the main building works started in October 2003. An initial suite of beamlines has been agreed ready for "switch on" in January 2007, and discussions are under way to agree a programme of additional beamlines which will continue to build on the capability of Diamond up to 2011. Diamond Light source limited are continuing to recruit staff, and overall numbers now stand at 109 (as at January 2004).

NUCLEAR FUSION

10.22 The Department funds a fusion research programme, which since 1 April 2003 has been funded and managed through the Engineering and Physical Sciences RC (EPSRC). This programme, which includes Europe's leading fusion facility, the Joint European Torus (JET), is undertaken by the United Kingdom Atomic Energy Authority (UKAEA). The UK is also involved, through the EU, in the international partnership on the International Thermonuclear Experimental Reactor, the next stage of fusion research.

Science and society

SCIENCE AND SOCIETY DIRECTORATE

10.23 The potential benefits that society can reap from S&T[17] have never been more important or more exciting. In order to retain the UK's current position at the cutting edge of world S&T (across a huge range of disciplines) the Government wants to ensure it has a society that is confident about the governance, regulation and use of S&T and an environment where scientists continue to have a clear "licence to practice" from the public. To do this, decision-makers must follow best practice in public engagement and dialogue, and in the regulation, commissioning and use of research. The Government must ensure that there is a healthy supply of the brightest and best people for post-graduate and post-doctoral S&T research in academia and industry in all key areas.

14 Further details available at www.esrc.ac.uk/relu/
15 Further details available at www.bnsc.gov.uk/index.cfm?pid=304
16 Further details available at www.diamond.ac.uk/
17 In this context, "Science and Technology" includes: hard, physical, natural and social science, engineering, technology, mathematics, medicine and, construction and the built environment. It includes SET (Science, Engineering and Technology), STEM (Science, Technology, Engineering and Mathematics), RSET (Research, Science, Engineering and Technology) and SEM (Science, Engineering and Mathematics). It also includes IT (Information Technology), ICT (Information and Communications Technology) and ITEC (Information Technology, Electronics and Communications).

10.24 In line with Government policy more widely, the DTI must take steps to promote the continuing involvement of girls and women in S&T education and to actively reduce barriers to the representation of women in S&T careers at all levels. If the UK is to take full advantage of the strength of its research base, the Department must both inspire young people to take up careers in S&T and encourage positive public engagement with S&T. The Department's Science and Society Directorate was established in July 2003 with an overarching strategic cross-departmental role. It is working with partners and stakeholders to identify and tackle major issues and provide fresh evidence, insights, approaches and solutions.

PUBLIC ENGAGEMENT

10.25 The Department has continued to fund high quality, high impact projects that aim to bring S&T and society together. These include AlphaGalileo, an internet based press office for the media that aims to highlight the significance and excitement of European research. The Department has also continued to support both National Science Week (NSW) and the British Association Annual Festival of Science. In 2003 there were 834 registered events in NSW – although more actually took place. As in previous years, the national impact of NSW was amplified by the significant media coverage it received.

10.26 In addition, the Department has begun to implement the recommendations of the British Association for the Advancement of Science[18] which aim to gain a better insight of both the supply and demand for public engagement activity, and encourage best practice and co-operation amongst S&T communication practitioners and funders. The implementation proposals received wide support from a public consultation that took place between April and June 2003[19].

10.27 Promoting S&T in schools is an important part of the wider public engagement agenda. The Department is very concerned that young people should be encouraged to take up careers in S&T. It is continuing to support the SETNET scheme, which co-ordinates the UK-wide network of 53 SETPoints[20]. These are 'one-stop-shops' for information about S&T that act as a point of contact for collaborations between schools and other organisations and encourage publicity for events and success stories in the local area. A wide range of organisations have chosen to route their schools' activity through SETPoints.

10.28 SETNET co-ordinates nationally, and the SETPoints deliver locally, the Science and Engineering Ambassadors (SEAs) programme which encourages young scientists and engineers to visit schools to explain their work to help teachers to relate curricula subjects to the world of S&T work and careers. The number of Ambassadors has risen from 657 in December 2002 to in excess of 5,000 – of whom about 40% are below 35 and approximately 30% are women.

WOMEN IN SCIENCE & TECHNOLOGY

10.29 In April 2003, and in response to "SET Fair"[21] (the Greenfield Report), plans for a new Resource Centre for Women in S&T were announced and the Government's 'Strategy for Women in Science, Engineering and Technology'[22] was published.

18 The BA's recommendations can be found at www.dti.gov.uk/ost/ostbusiness/puset/society.pdf
19 The results of OST's public consultation on its response to the BA recommendations can viewed at www.dti.gov.uk/ost/ostbusiness/puset/pdfs/govtresponse_0903.pdf
20 More details available at www.setnet.org.uk
21 The report is available at www2.set4women.gov.uk/set4women/research/the_greenfield_rev
22 The strategy is available at www2.set4women.gov.uk/set4women/research/the_greenfield_response

10.30 A competitive tender was launched and the contract subsequently awarded to the consortium that put forward the most exciting and innovative proposals. The JIVE consortium[23] (led by Bradford College and Sheffield Hallam University, and including Cambridge University and the Open University) will receive £800,000 per year for three years to run the centre. Additional funding will be available for the return to work programme, and DfES will contribute £200,000 for schemes aimed at undergraduates.

RESEARCH CAREERS

10.31 The Department has been implementing the recommendations of "SET for Success" – Sir Gareth Roberts' 2002 Review of the supply of people with science, technology, engineering and mathematical skills[24]. The main achievements have been the development and launch of an Academic Fellowship scheme to provide 200 five-year awards annually. This scheme is aimed at providing a clear career path for researchers, allocation of funds towards providing additional support for doctoral students and post-doctoral researchers in areas of recruitment and retention problems, encouraging the provision of transferable skills training for young researchers, and the launch of the final report of the Research Careers Initiative[25].

THE ROYAL SOCIETY

10.32 The Royal Society[26], a Grant-in-Aid funded body and the UK national academy of science, plays a crucial role as the champion of top quality science and technology. In 2003, 47 new University Research Fellowships and seven new Dorothy Hodgkin Fellowships were awarded to outstanding young scientists. Seven new Industry Fellowships were awarded to promote collaboration between industry and academia and 12 Research Merit Awards were given to eminent scientists to attract them to the UK or encourage them to remain within the UK. The Society supported a total of 463 research professors and research fellows, while grant schemes provided funding for conference participation, laboratory refurbishment and research to over 1,335 other scientists.

10.33 From an international perspective, the Society launched the new Science Networks scheme and 16 grants (eight for China and eight for India) have already been awarded. The scheme aims to initiate and encourage "bottom-up" networking between young and excellent UK and overseas post-doctoral scientists. The Royal Society runs three other exchange schemes, providing in many cases funds for travel, subsistence and accommodation only. Short visits are between one week and three months to initiate one-to-one collaborations and gain access to complementary equipment, data, observations and ideas. In 2003, over 450 scientists have been awarded these grants. Joint projects support the costs of the interchange of personnel between research groups in the UK and overseas. In 2003 the Society supported 100 new projects and 90 ongoing projects. Fellowships provide an opportunity for young scientists to carry out research in a different country and 25 UK fellowships to Canada, New Zealand and Australia and 24 fellowships from the USA and two from east and south-east Asia to the UK were supported during 2003.

23 More details available at www.letstwist.bradfordcollege.ac.uk
24 More details from www.hm-treasury.gov.uk/documents/enterprise_and_productivity/research_and_enterprise/ent_res_roberts.cfm
25 Full text at www.universitiesuk/ac/uk/activities/RCIdownloads/RCI_final.pdf
26 More information about the Royal Society and its activities can be found at www.royalsoc.ac.uk/

THE ROYAL ACADEMY OF ENGINEERING

10.34 The Royal Academy of Engineering[27], another Grant-in-Aid funded body, brings together over 1,200 distinguished engineers from all disciplines, to promote excellence in engineering for the benefit of the people of the UK. In 2003 the Academy supported a total of 44 Research Chairs, Senior Research Fellowships and Post-doctoral Research Fellowships; made 17 Global Research Awards; 635 international Travel Awards; supported 18 Industrial Secondments; supported 141 Visiting Professors in Engineering Design and Design for Sustainable Development; and made 40 Engineering Professional Development Awards to SMEs involving 902 engineers. In the financial year 2002-03, industrial funding for the Academy of £10.1m complemented the Department's funding of £4.77m.

Exploitation

FUNDING

10.35 This fund is the DTI's primary tool for encouraging transfer from Higher Education Institutes (HEIs) to business. The second round of the Higher Education Innovation Fund (HEIF) was launched in December 2003, with a closing date of February 2004. Total funding of £187m will be available in 2004-05 and 2005-06.

10.36 The second round of the Public Sector Research Exploitation Fund competition was completed, and will provide £15m to public sector research organisations to support development of knowledge transfer activities.

SCIENCE RESEARCH INVESTMENT FUND

10.37 Bids from UK universities for £950m of science research infrastructure funding were assessed and approved by the UK Research and Funding Councils. The DTI has awarded, subject to conditions, £8m from the Science Research Investment Fund restructuring and rationalisation fund towards the research infrastructure costs of the proposed merger of Cardiff University and the University of Wales College of Medicine.

Science in Government

SCIENCE STRATEGY

10.38 As part of its role in promoting good practice in the use and management of science in Government departments, the DTI is presently working with OGDs to assess their Science and Innovation Strategies for quality and effectiveness and will also consider the degree to which Government-funded research encourages the pull of new techniques and technologies through to the wider UK economy.

10.39 Most Government departments now have costed science and innovation strategies and others are being refined against the background of the forthcoming spending review. Most departments have appointed their own Chief Scientific Advisers who are working to ensure that departmental activities are well directed and based on sound science.

ENERGY AND THE ENVIRONMENT

10.40 The Chief Scientific Adviser has chaired quarterly meetings of the High Level Energy Group to oversee implementation of the Energy Research Review[28] recommendations and to promote co-ordination of public-funded energy research. He has also been actively involved in communicating the scientific evidence for climate change and the need for urgent action to reduce greenhouse gas emissions, including internationally in support of the

27 More information about the Royal Academy of Engineering and its activities can be found at www.raeng.org.uk/
28 Full text of the Report available from www.ost.gov.uk/policy/issues/csa_errg/

Government's global climate change objectives.

HEALTH AND BIOTECHNOLOGY ISSUES

10.41 The Department has contributed to negotiating a strategy on stem cell research and therapeutic cloning within the EU and United Nations (UN). It has also launched a new independent study to examine in detail the benefits and risks of nanotechnology. This technology involves working with materials on the nanoscale – 80,000 times smaller than the width of a human hair. Nanotechnology has the potential to improve the UK's health and wealth but it is important that any necessary regulatory framework is in place early on.

'GENETICALLY MODIFIED' PUBLIC DIALOGUE

10.42 In 2002 the Government initiated a public dialogue on GM organisms and much of the substantive public work on this took place in 2003-04. The public debate, 'GM Nation' was in June/July 2003 and comprised over 600 public meetings, and publication of a report in September 2003[29]. The GM Science Review panel included both specialist and non-specialist scientists and social scientists from a wide range of backgrounds outside Government and was chaired by the Chief Scientific Adviser, working with the DEFRA Chief Scientific Adviser, with independent advice from the Food Standards Agency. The first report, published in July 2003, was downloaded from the dedicated website by over 20,000 readers and a second follow-up report, taking account of the results of the public debate, comments received on the first report, the GM farmscale evaluations and significant new relevant science, was published in January 2004.

AEBC

10.43 The Agriculture and Environment Biotechnology Commission[30], an independent commission receiving support from the Department, published its third major report to Government, "GM Crops? Coexistence and Liability" in November 2003.

CIVIL CONTINGENCIES

10.44 The Chief Scientific Adviser has continued to consult scientists and other expert advisers to ensure that the Government's contingency plans, including those against chemical, biological, radiological and nuclear (CBRN) attack reflect the latest scientific knowledge.

LINK COLLABORATIVE RESEARCH

10.45 A Strategic Review of LINK Collaborative Research[31], undertaken by an independent panel and funded by the principal RCs and Government Departments sponsoring LINK, was published in September 2003[32]. The overall conclusion was that "LINK has generated manifold and substantive benefits during its life and remains a valid and important element of the UK Government's portfolio of innovation support measures".

10.46 The Review report included estimates of the benefits of LINK projects to UK business as follows:

Figure 10.4: Estimated benefits to UK business

Extra business turnover	£700m – £2,400m*
Increased profit	£250m – £500m*
Increased employment	15,000 – 25,000 posts*

(*Figures, calculated by Technopolis Ltd, are low and high estimates for the direct effect of LINK on the UK economy to 2000-01)

10.47 LINK Collaborative Research, which is managed by the Department on behalf

29 Further details and full text of the Reports available from www.gmpublicdebate.org/
30 Full details about AEBC and its work can be found at www2.aebc.gov.uk/
31 Further details about LINK Collaborative Research are available at www.ost.gov.uk/link; or the LINK Directorate, e-mail link.ost@gtnet.gov.uk
32 "Strategic Review of LINK Collaborative Research: Report of the Independent Review Panel", September 2003. Full Report available at www.ost.gov.uk/link

of the 14 current sponsors, is the Government's principal mechanism for supporting research partnerships between UK industry and universities and other research base organisations. Partnerships undertake pre-commercial research projects, which are normally managed within programmes. Government expenditure on LINK projects was £43m in 2002-03 (from DTI, OGDs and the RCs) and this was more than equalled by support from company participants, of which there have been over 2,500 to date.

FORESIGHT

10.48 Foresight[33] aims to provide challenging visions of the future, based on current developments, to ensure effective strategies are developed. It does this by providing a core of skills in science-based futures projects and unequalled access to leaders in Government, business and science. The current round of Foresight, which was launched in April 2002, operates through a rolling programme that looks at three or four areas at any one time. The starting point for a project area is either a key issue where science holds the promise of solutions or an area of cutting edge science where the potential applications and technologies have yet to be considered and articulated.

10.49 The Cognitive Systems project is the first project to be completed under the new Foresight Programme. The project has created a model for developing inter-disciplinary research agendas, and has created a community with a shared vision around cognitive systems as well as an outline of what is needed to realise that vision.

10.50 Results from the Flood and Coastal Defence project have shown that changes in climate and population could combine to significantly increase risks from flooding and coastal erosion. Foresight has worked with key stakeholders, including DEFRA, to consider how the UK could respond.

10.51 The Cyber Trust and Crime Prevention project is working with the HO to bring the latest evidence-based scientific thinking from a wide range of disciplines to influence policy development. It is bringing together leading business people and officials with researchers from social sciences, humanities and physical sciences with a common interest in next generation information and communications technologies.

10.52 The Exploiting the Electromagnetic Spectrum project is tied into the DTI's innovation agenda, and is providing a vision for the future exploitation of the spectrum to ensure increased UK exploitation of technology. The critical outputs will be roadmaps detailing options and responsibilities arising from the opportunities identified.

10.53 The fifth Foresight project, on Brain Science, Addiction and Drugs, has been launched. Due to report in 2004-05, it will address issues relating to future developments of legal and illegal drugs, together with the implications for society over the next 20 years.

International achievements

THE DOROTHY HODGKIN POSTGRADUATE AWARDS

10.54 In November 2003 the Prime Minister announced a new initiative to bring high quality students from overseas to top UK universities to study for PhDs in science. The 'Dorothy Hodgkin Postgraduate Awards' will be fully funded and open to top quality science, engineering, medicine, social sciences and technology students from overseas to study for PhDs in highly rated UK research environments. The first 'pilot'

33 Details about Foresight and the foresight projects can be found at www.foresight.gov.uk/

intake in October 2004 will allow over 100 PhD students from India, China, Hong Kong, Russia and the developing world to study in the UK. Joint funding will be provided by Government, via its RCs, and the private sector.

10.55 These students will contribute to the UK science base during their time here and hopefully future research and commercial collaboration with participating countries will be made possible. Essential scientific expertise will be gained around the world when they return to their parent country.

GETTING THE BEST FROM EUROPEAN RESEARCH

10.56 Research increasingly needs to be conducted on a scale and with the quality of inputs that is only possible through international collaboration. The Government supports the establishment of a European Research Area (ERA) in which national research policies and research programmes are aligned better toward shared goals. The Department co-ordinates activity under this policy, working with the RCs and OGDs. Achievements include a joint programme on economic and social research including the Economic and Social Science RC (ESRC) agreement to more streamlined co-operation on the protection of intellectual property and a plan to co-ordinate funding of research infrastructures.

10.57 The R&D Framework Programme, with a budget of €17.5bn, is the main EU instrument for funding research in Europe. The current Sixth Framework Programme[34] (FP6) focuses on larger scale, longer-term projects with a significant future impact on terms of innovation and competitiveness. The promotion and advisory services are now established in a Central Information Point (CIP)[35] in conjunction with an integrated network of National Contact Points (NCPs) for the thematic areas.

10.58 The Government has expanded its promotion and advisory services to UK organisations and the Department is seeking to integrate these services with other existing business support mechanisms, including those offered by Regional Development Agencies (RDAs). In addition, the Department introduced a new central information service in December 2003. It has also taken up the concerns of UK participants and OGDs to secure improvements in the Programme's implementation, including reviewing how business could be better engaged, better communications of bid requirements and reducing bureaucratic procedures.

10.59 Negotiations for the next Framework Programme will start in 2005. The Department takes the lead in formulating and representing the UK line during these negotiations. Work has already begun on preparing the UK position, including initial consultation of key stakeholders. A formal public consultation will be launched in spring 2004. In addition to these consultations, the Department has commissioned an independent evaluation of the programme to inform the UK approach.

34 Further details at www.europa.eu.int/comm/research/fp6/index_en.html
35 Further details at www.fp6uk.ost.gov.uk/

Figure 10.5: Expenditure on science (£ million)

	2001–02 Outturn[a]	2002–03 Outturn[b]	2003–04 Working Provision[c]	2004–05 Plans	2005–06 Plans
Total OST expenditure on science	**1,882.5**	**2,075.1**	**2,494.4**	**2,704.3**	**3,033.4**
of which:					
Biotechnology and Biological Sciences Research Council	230.1	252.6	267.5	282.9	324.2
Economic and Social Research Council	74.9	77.9	94.5	104.0	119.8
Engineering and Physical Sciences Research Council[d]	481.1	510.4	466.9	490.0	544.8
Medical Research Council	390.1	360.5	453.5	452.5	497.0
Natural Environment Research Council	228.6	241.9	317.2	317.1	339.9
Particle Physics and Astronomy Research Council	219.2	249.0	264.2	273.0	292.0
Council for the Central Laboratory of the Research Councils	42.7	42.6	129.9	123.4	127.8
Research Councils' Pensions Scheme	27.0	28.5	29.7	31.1	33.2
Royal Society	26.0	28.8	29.2	31.0	32.4
Royal Academy of Engineering	4.3	4.8	5.3	5.6	5.9
Roberts review (unallocated)	–	–	7.8	19.3	56.2
Diamond Synchrotron	4.6	14.9	41.4	82.9	52.6
Joint Infrastructure Fund	101.7	85.3	44.0	–	–
Science Research Infrastructure Fund	6.1	105.0	250.0	296.6	300.0
Capital Yet to be allocated	–	–	16.3	52.4	54.4
Knowledge Transfer	–	–	–	11.8	12.3
Science Enterprise Challenge Scheme	2.5	4.8	5.0	–	–
Cambridge/MIT Institute	4.2	10.7	14.0	14.0	–
University Challenge Fund	5.9	7.3	5.0	–	–
Higher Education Innovation Fund	4.8	22.8	40.0	60.3	69.4
Exploitation of Discoveries at PSREs	2.9	5.0	0.0	4.7	9.7
Foresight LINK Awards	0.4	2.5	5.0	2.0	–
OST Initiatives	8.2	2.3	6.0	5.3	5.3
Delivering Sustainability	–	–	–	8.4	120.5
Exchange Rate and Contingency Reserve	–	–	2.0	36.0	36.0
Nuclear Fusion	14.3	14.6	–	–	–
Contract of Association	2.9	2.9	–	–	–

a The 2001-02 are taken from the DTI Resource Accounts.

b The 2002-03 figures are the net provision in the Winter Supplementary Estimates.

c Figures include EU Cover.

d EPSRC include figure for Nuclear Fusion.

11 MAXIMISING POTENTIAL IN THE WORKPLACE

Introduction
PSA Targets 9 and 10
Plans for 2004-05
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Skills
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Labour Markets
Employment Relations

Introduction

The challenge for the Department is to "maximise potential in the workplace by raising the level of and demand for skills, developing a diverse and flexible labour market, and increasing the take-up of ways of working that foster high performance workplaces".

Additionally, outside the workplace, the DTI will promote gender equality and diversity across Government and internationally.

11.1 The UK already meets the employment targets set at Lisbon in 2000, but this good overall record masks lower participation rates for particular groups in society. The main concern about the UK labour market is not employment levels, but rather the quality skills demanded of the workforce and the responsiveness of the skills supply chain to meet this demand. Higher skills levels both improve productivity as workers work more efficiently and effectively and also lead to higher quality jobs. The UK has some world beating, highly capable organisations, for example those that win places on the list of 100 Best Companies to Work For in the UK, but others need to join them.

11.2 In the future, the UK will have to compete more and more on the basis of unique and innovative products and services. This will require inspirational leadership, stronger management skills, a highly trained and motivated workforce, a flexible labour market that promotes diversity and fair treatment, and workplaces that recognise environmental issues and the need for greater resource productivity.

PSA Targets 9 and 10

11.3 Some of the work carried out within this business objective contributes to the Department's PSA target 9 (SR2002)[1], to bring about measurable improvements in gender equality across a range of indicators working with all departments, and PSA target 10 (SR2002)[2], to increase the employment rate and significantly reduce the difference between the overall employment rate and the employment rate of ethnic minorities *(a joint target with DWP)*.

Plans for 2004-05

11.4 The DTI will look at the costs and benefits of regulation, as well as alternatives to it. The Department will only change employment law twice

1 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_9.htm
2 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_10.htm

during the year, on 6 April 2004 and 1 October 2004, and, in order to allow employers, employees and other stakeholders time to prepare for such changes, a statement of expected legislation will be published each January. In addition, guidance on new legislation will be published 12 weeks before it comes into effect, supplemented with practical "how to" guidance. The DTI will provide effective enforcement mechanisms for the National Minimum Wage (NMW) legislation, the Working Time Directive (WTD) and the Employment Agency Standards legislation, and will continue to influence European proposals for further labour market regulation.

11.5 The Department will continue to work towards mainstreaming equality and diversity issues across Government and in the regions, including the creation of a single equality body that will be responsible for creating a strong partnership with business to tackle discrimination. In addition, it will continue to prepare for the regulations, coming into force in 2006, preventing age discrimination. The Employment Tribunals Service[3] (ETS) and the Advisory, Conciliation and Arbitration Service[4] (Acas) will work together to streamline dispute resolution processes.

11.6 The Department will drive forward the implementation of the Skills Strategy. It will work with a range of stakeholders to help engage employers in what they need to do to move up the value chain, raise and articulate their demand for higher level skills, ensure these skills are deployed effectively and to take up and enjoy the full benefits of adopting high performance practices.

Achievements in 2003-04

Skills

EVIDENCE AND ANALYSIS

11.7 Over the last year, the Department has worked closely with DfES and other partners, such as the Sector Skills Development Agency[5] (SSDA), to develop a stronger research and evidence base. One project on "tackling the low skills equilibrium" raised the debate on the nature of demand for skills in the UK. Another, on "informal learning and productivity" showed that informal learning plays a key part in company performance. Other research showed how DTI business support products, addressing wider issues such as innovation, also raise demand for skills. In all, the DTI published eight reports on skills related issues[6] and held a series of highly successful seminars covering most of the major topic areas

HIGHLIGHTS OF 2003–04

- Launched the Skills Strategy in July 2003
- National Minimum Wage raised to £4.50 an hour from 1 October 2003
- Regulations introduced that prohibit discrimination on grounds of sexual orientation and religion and belief
- Framework for implementation of the Information and Consultation Directive agreed with TUC and CBI
- Work underway on the Civil Partnership scheme and new Commission for Equality and Human Rights

3 Full details about ETS available at www.ets.gov.uk
4 Full details about Acas available at www.acas.org.uk/
5 More details available at www.ssda.org.uk/about/about.shtml
6 Available at www.dti.gov.uk/training_development/skills.htm

(regional knowledge economy, Sector Skills Councils (SSCs), skills for enterprise, informal versus formal learning, and others).

STRATEGY AND DELIVERY

11.8 Effective cross-Government working led to the successful launch and publication of the Skills Strategy on 9 July 2003[7]. This sets out the Government's agenda for acting on both the demand for, and supply of skills as a major contributor to raising productivity. It commits the Government to creating a more demand-led training system. A key commitment resulting from this work is to ensure that "employers are centre stage".

11.9 The DTI has established strong links between this Skills Strategy, its own Strategy[8] and the Innovation Review[9] and the Secretary of State now jointly chairs the Skills Alliance[10], with the Secretary of State for Education and Skills, to ensure delivery of the Skills Strategy.

11.10 Employers are well represented in the network of SSCs and, through its joint sponsorship with DfES, the DTI is fully committed to this network. Ten five-year full SSC licences have already been granted and 13 SSCs are currently in development stage. Business Relations Sector Teams are engaging their SSCs to address employers' needs for skills, including through the development of pathfinder sector skills agreements and the implementation of sector-based Innovation and Growth Team (IGT) recommendations.

11.11 The DTI also works closely with the Regional Development Agencies to ensure that there is full business engagement in the Regional Skills Partnerships and that a real impact on business performance can be made in each region.

11.12 A joint DTI/DfES Leadership and Management Project Team has been established and an action plan is being implemented. The DTI is leading work on inspired leadership, and carrying out research into the role that investors' play in influencing management practice.

Diversity

EQUAL PAY

11.13 Whilst employment levels for women are high, a pay gap between the sexes still persists, despite equal pay and sex discrimination legislation. The Department worked with the Equal Opportunities Commission (EOC) to produce a revised Code of Practice on pay and this came into effect on 1 December 2003[11]. It has also established a target for pay reviews, with a target of 35% of large companies to undertake pay reviews by 2006.

11.14 The Department has worked with the Cabinet Office to review civil service pay. The Cabinet Office published a summary report of the findings, which showed a reported average gender pay gap of around 5% in favour of men within pay bands[12].

11.15 In April 2003, the DTI introduced an equal pay questionnaire to help women who believe they may not have received equal pay to request key information from their employers to establish whether they could or should pursue an employment tribunal claim[13]. The Department launched a consultation on speeding up and simplifying equal value tribunal procedures in March 2004.

7 Full text available at www.dfes.gov.uk/skillsstrategy/skills.shtml
8 Full text and analysis available at www.dti.gov.uk/about/strategy2003.html
9 DTI *"Competing in the Global Economy: the Innovation Challenge"*, 17 December 2003, available at www.dti.gov.uk/innovationreport/
10 More details about the Skills Alliance available from www.dfes.gov.uk/skillsstrategy/
11 Full text of the code is available at www.hmso.gov.uk/si/si2003/20032865.htm
12 Full details, including the Cabinet Office Report are available at 164.36.253.98/pay/pay.htm
13 More information available at 164.36.253.98/pay/update_question.htm

PROMOTING DIVERSITY AND GENDER

11.16 A diverse labour force is a good source of innovation and creativity and the Department promotes the benefits in order to help innovation and create a more open and fair society. It published *Delivering on Gender Equality*[14], a plan setting out what Government will deliver over the next three years on issues such as childcare, equal pay and flexible working, as well as setting out the broader context of work going on right across Government to make a positive impact on gender equality.

11.17 During 2003 the DTI, jointly with the Chancellor of the Exchequer, ordered a review of the role and effectiveness of non-executive directors on boards. Sir Derek Higgs, the report's author, identified the monochrome nature of current boards and recommended that companies adopt a more lateral approach to recruitment[15]. In June 2003 the DTI commissioned further work to look specifically at how it could encourage greater diversity of directors on boards and a campaign to encourage diversity in the boardroom has been launched.

11.18 On 30 October 2003, the Government announced the creation of a new Commission for Equality and Human Rights that will take responsibility for new laws on age, religion or belief and sexual orientation, and for the first time provide institutional support for human rights. A Task Force[16] has been established to advise on the governance and structure of this new body ahead of a White Paper in spring 2004.

SOCIAL JUSTICE

11.19 In June 2003 the DTI published a consultation paper[17] proposing the creation of a new legal status for same-sex couples, providing a range of rights and responsibilities for those couples that wish to register. In November 2003 a summary of responses was published which showed that 83% of respondents supported the principle of a civil partnership scheme. The Government has announced its intention to bring forward a Civil Partnership Bill[18] in this session of Parliament.

11.20 Following a national fact finding tour of domestic violence refuges, research is now being undertaken on the economic and social costs of domestic violence. In April 2003 the DTI launched a year-long campaign to provide helpline information through black cabs to women experiencing domestic violence[19].

11.21 The DTI, in partnership with OGDs, produced the UK's 5th periodic (four-yearly) report for the Convention on the Elimination of all Forms of Discrimination Against Women[20], which reports on the progress made on legislative, judicial, administrative or other measures adopted to give effect to the provisions of the Convention between 1999-2003, as well as following up on outstanding comments from the 3rd and 4th reports.

11.22 In July 2003 the Secretary of State attended the "Voices of Women in Iraq" conference in Baghdad, which aimed to enable women to play a full part in the peace process, and encouraged the establishment of an Iraqi National Women's Higher Council.

14 DTI *"Delivering on Gender Equality"*, June 2003, full text available at 164.36.253.98/research/Delivering_on_Gender.pdf
15 Full text of the report available at www.dti.gov.uk/cld/non_exec_review/pdfs/higgsreport.pdf
16 Further Information about the Commission for Equality and Human Rights and the Task Force can be found at 164.36.253.98/equality/project/index.htm
17 This consultation document, "Civil Partnership: A framework for the legal recognition of same-sex couples", June 2003, and the responses to it are available from 164.36.253.98/lgbt/partnership.htm
18 Full text of the Bill available at www.parliament.the-stationery-office.co.uk/pa/ld200102/ldbills/041/2002041.htm
19 Further details available at 164.36.253.98/domestic_violence/index.htm
20 DTI *"Changing World. Changing Lives: Women in the UK since 1999"*, available at www.womenandequalityunit.gov.uk/eu_int/un.htm

WOMEN'S NATIONAL COMMISSION

11.23 The Women's National Commission[21] (WNC) is an advisory Non-Departmental Public Body (NDPB), which provides an effective two-way communication channel between women and Government. During 2003-04 it has undertaken a major national consultation with women survivors of domestic violence; convened an expert group on female genital mutilation, which advised the Home Office (HO) on the Female Genital Mutilation Bill and its implementation in the community; and produced a report, commissioned by the HO, to the police on improving the service they provide to women.

Legislative framework

EQUAL OPPORTUNITIES COMMISSION

11.24 The EOC[22] is an NDPB funded from Grant-in-Aid, which aims to combat sex discrimination in Great Britain. During 2003-04 it has worked to persuade employers to carry out pay reviews, using its equal pay toolkit; used its legal powers to conduct a formal investigation into the Royal Mail and started two General Formal Investigations into pregnancy discrimination and modern apprenticeships.

NATIONAL MINIMUM WAGE

11.25 The NMW is a cornerstone of the Government's strategy that aims to provide employees with decent minimum standards and fairness in the workplace. On 1 October 2003 the NMW was increased. The main (adult) rate for workers aged 22 and over was raised to £4.50 an hour and the development rate, for workers aged 18-21 inclusive, was raised to £3.80, benefiting at least one million workers. It has been announced that further increases will take place in October 2004. The adult rate will increase to £4.85 and the Development rate will increase to £4.10. A new rate for 16 and 17 year olds above compulsory school leaving age will also be introduced and has been set at £3.00 per hour. 16 and 17 year old apprentices will be exempt from this new rate.

11.26 The Department's economists and statisticians co-ordinated the drafting of two Government submissions to the Low Pay Commission, one covering the proposed October 2004 up-rating of the NMW and the other on the advantages and disadvantages of a minimum wage for 16 and 17 year olds[23]. The team also prepared 14 full and partial Regulatory Impact Assessments on proposed employment laws and regulations during the course of 2003-04.

Figure 11.1: National Minimum Wage Enforcement Activity, April to December 2003

Telephone enquiries	40,000
Complaints (received)	1,500
Investigations completed	4,100
Arrears identified	£2,100,000

WORKING TIME DIRECTIVE

11.27 A number of sectors were excluded from the WTD when it came into force in October 1998, because it was accepted that they would require their own special rules. An amending directive, which extends the directive to workers in the road, rail, air and sea transport, sea fishing, and offshore oil and gas sectors, came into effect on 1 August 2003. The DTI provided information to the European Commission for its review of the WTD, and ensured the UK viewpoints were properly understood and taken into account by the Commission and other contacts in Europe in drafting the amending directive[24].

21 Further details of the WNC and its achievements are available at www.thewnc.org.uk/
22 Full details of the EOC and its achievements are available at www.eoc.org.uk
23 Full text of these submissions can be found at www.dti.gov.uk/er/nmw/LPCsubmissions2003.pdf
24 Further details about the WTD are available at www.dti.gov.uk/er/work_time_regs/

OTHER LEGISLATION

11.28 The Department has improved and simplified existing maternity provisions, and introduced new rights to paternity and adoption pay and leave. It has also implemented a new flexible working law that provides parents of young and disabled children with a legal right to request to work flexibly, with an accompanying package of support to help employers fulfill their duty of considering such requests seriously.

11.29 Regulations have been brought into force that prohibit discrimination in the workplace on grounds of sexual orientation and religion or belief. This will make a practical difference to the lives of many who may previously have suffered unfair discrimination, harassment or victimisation because of their sexuality or beliefs. Proposals to outlaw discrimination in employment on grounds of age were published in the summer and attracted over 400 responses from a wide variety of stakeholders, including employers, unions, representative organisations and individuals.

11.30 On 7 July 2003, the DTI announced that it had agreed with both the CBI and TUC a framework for implementing the European Commission Directive on information and consultation of employees[25]. This was the first time the Government had approached implementation of European social legislation in this way. The legislation, which will come into force in spring 2005, is a key element of the DTI's strategic objective of maximising potential in the workplace, and is designed to promote a more involved and committed workforce, better able to understand and contribute to the business they work for.

Labour markets

PROMOTING PARTICIPATION

11.31 During 2003-04, the DTI ran an awareness campaign to highlight the new laws for working parents and to encourage take up of the provisions therein. A monitoring strategy has been developed to collect information about how the new laws are bedding down to ensure that information is at hand when they are reviewed in April 2006.

11.32 The EU framework agreement on Telework has now been implemented in the UK and the Department facilitated the discussion, agreement and production of the associated Guidance by the CBI, TUC and the UK branch of CEEP, the public sector employers' representative body[26], as well as supporting its launch on 2nd September 2003 and subsequent dissemination.

BALANCING STANDARDS AND LABOUR MARKET FLEXIBILITY

11.33 Through the challenge fund, the Department has provided consultancy support to 45 organisations to help them on projects that introduce flexible working support during 2003-04.

11.34 In collaboration with the Portuguese Government, the FCO and Non-governmental Organisations, the Department produced a leaflet in English and Portuguese to raise awareness of UK employment rights amongst Portuguese migrant workers. This was launched on 18 November 2003 and has been distributed widely in Portugal and the UK[27].

11.35 To date, £42m has been paid under the Icelandic Trawlermen's Scheme to compensate those who lost their livelihoods as a result of the Icelandic Cod Wars. The scheme was extended during 2003 to include additional vessels,

25 Further details and the implementation framework can be found at www.dti.gov.uk/er/consultation/proposal.htm
26 Guidance on Telework available at www.dti.gov.uk/er/individual/telework.pdf
27 Available from www.dti.gov.uk/er/agency.htm

which fished within Icelandic waters but were traditionally listed as Faroes.

Employment Relations

ACAS

11.36 Acas is an independent statutory body, funded by the Department. Its aim is to improve organisations and working life through better employment relations and its services cover information, advice, training and Acas advisers working directly with employers and employees to resolve problems and make workplaces more effective. The Acas helpline deals with approximately 800,000 calls per year on a wide range of employment issues, whilst training is Acas's fastest growing service area, with a choice of short or longer, in-depth sessions available.

11.37 Acas will have dealt with approximately 100,000 tribunal applications during 2003-04. It has a statutory duty to try and resolve these complaints without recourse to a tribunal hearing and three out of four cases are resolved without a full hearing. The UK continues to experience low levels of working days lost through coercive action compared to its European partners.

11.38 Acas has continued to develop its working relationship with ETS in preparation for the fundamental changes to tribunal regulations outlined in the Employment Act 2002, which are due to be implemented in October 2004. Its Code of Practice on Disciplinary and Grievance Procedures will need to be revised in order to take account of these new statutory procedures and a draft Code was published for public consultation in January 2004.

EMPLOYMENT TRIBUNALS SERVICE

11.39 The ETS's[28] performance for 2003-04 is detailed in Chapter 17.

Figure 11.2: Employment Tribunal Applications by Jurisdiction

	2002–03	2003–04 (Estimate)
Unfair dismissal	26%	31%
Unauthorised deductions	23%	17%
Sex, race and equal pay	14%	19%
Other	37%	33%

PARTNERSHIP WORKING

11.40 Following public consultation on the Review of the Employment Relations Act 1999, an Employment Relations Bill was introduced in Parliament in December 2003.

11.41 Partnership at work refers to the relationship between employers, employees and their representatives and is about developing better employment relationships at all levels. Where partnership is successful, employers and employees both recognise the importance of their relationship and positively work towards developing this further for mutual reward. The DTI runs a grant award scheme designed to encourage partnership working, with support invited on a competitive basis during fixed rounds. The scheme offers up to 50% funding of eligible projects, to a maximum of £50,000, with the applicants meeting the remainder of the costs. During 2003-04, 93 grants were awarded, including three strategic partnership projects, which aim to encourage partnership approaches within sectors and tackle cross cutting issues.

WORKPLACE DISPUTES

11.42 During 2003-04, regulations to improve the management of workplace disputes were approved by Parliament following

28 Full details of the ETS and its activities are available at www.ets.gov.uk/

a public consultation. A separate consultation was launched on new procedures for Employment Tribunals. Both sets of regulations are due to come into force in October 2004.

EMPLOYMENT RELATIONS RESEARCH

11.43 The DTI has continued its active programme of research on employment relations and labour market issues, including a Survey of Employment Tribunal Applicants in late 2003, and the publication of the results of the employer and employee Second Work-Life Balance Study[29].

11.44 Extensive preparation and consultation was undertaken for the Workplace Employment Relations Survey fieldwork, which commenced in January 2004[30]. This national survey of people at work is the most widely cited study of its kind in the world, and the 2004 survey, which builds on earlier surveys, will greatly enhance Government's knowledge of British employment relations. The Department, Acas, the Economic and Social Research Council, and the Policy Studies Institute jointly sponsor the survey.

11.45 More than a dozen reports in the Employment Relations Research Series were published in 2003-04[31], including three reports on working time issues, two on age matters, an assessment of the impact of employment law on small firms, unfair labour practices in North America, and an evaluation of the Partnership at Work Fund. Three research seminars were held during the year, including a successful event on labour market flexibility research[32]. A new lunchtime policy seminar series, open to members of the public, was launched in February 2004.

Figure 11.3: Expenditure on Maximising Potential in the Workplace (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**123.0**	**158.0**	**149.2**	**155.9**	**158.2**
of which:					
The Employment Tribunals Service[1]	58.2	63.3	71.9	73.5	74.9
Employment Relations Programmes	14.6	16.9	17.2	14.0	14.0
Grant-in-aid to Acas	38.1	67.7	46.9	47.9	48.9
Grant-in-aid to EOC	8.6[2]	7.0	8.0	8.3	8.3
Grant-in-aid to WNC	0.3	0.3	0.3	0.4	0.4
Other gender equality and diversity[3]			0.7	1.2	1.1
Skills Programmes[4]	3.2	2.8	4.2[5]	10.6	10.6

[1] Includes programme, admin and capital
[2] Includes an additional payment of £1.9m given to EOC for restructuring
[3] Cabinet Office did not operate a programme budget
[4] Plans for 2004-05 and 2005-06 include planned spend on capacity building/pilots work
[5] Includes SETNET and ETB spend

29 Full report available at www.dti.gov.uk/er/inform.htm
30 Further information available at www.dti.gov.uk/er/emar/WERS2004.htm
31 Available from www.dti.gov.uk/er/inform.htm
32 Proceedings to be published as *"New Directions in Labour Market Flexibility Research"*, available at: www.dti.gov.uk/economics

12 FINANCE FOR INVESTMENT

Introduction
PSA Target 6
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Finance and Investment in Innovation
Access to Finance
Fiscal, Corporate and Regulatory Environment
Increasing Investment in Value-added Activity

Introduction

The challenge for the Department is to "improve access to finance for investment in business and innovation to support enterprise and productivity growth, increase access to growth capital for small businesses with growth potential, increase investment in capital by UK businesses and increase the number of SMEs exploiting research and development".

12.1 Despite recent gains, UK productivity lags behind that of its leading competitors. If the UK is to close this gap is it essential that all UK businesses have access to the finance they need to make the investment necessary to grow and bring new and innovative products and services to market.

12.2 Although UK financial markets are amongst the most efficient in the world and the majority of businesses have no difficulty in raising the finance they need, there are some market weaknesses in debt and equity markets. These imperfections can cause problems, for example, for businesses seeking start-up funding and businesses with high-growth potential.

PSA Target 6

12.3 Some of the work carried out within this business objective contributes to the Department's PSA target 6 (SR2002)[1], to help build an enterprise society in which small firms of all kinds thrive and achieve their potential.

Plans for 2004-05

12.4 The Department will continue to operate the Small Firms Loan Guarantee scheme (SFLG) in partnership with commercial lenders and will undertake a review of the scheme to ensure that the Government is doing all it can to help small firms overcome the obstacles to raising debt finance.

12.5 It will examine the scope to develop an Enterprise Capital Fund (ECF) programme to increase the availability of growth capital to small businesses affected by the equity gap. A pathfinder round of ECFs will invest a combination of private and public capital in small businesses seeking up to £2m of equity finance.

12.6 The DTI will support continued investment by the Regional Venture Capital Funds, Early Growth Funds and the Bridges Community Development Venture Fund to address the equity gap

1 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_6.htm

and to help small growing businesses access the growth capital they need.

12.7 In addition to these measures aimed at improving the supply of finance, the Department will also take forward measures aimed at improving the quality of demand for finance.

12.8 The Department, through the Small Business Service (SBS), will work with the Regional Development Agencies (RDAs) to roll out investment readiness initiatives. Building on the evaluation of the series of demonstration projects that ran during 2003-04, the SBS will seek to develop expertise and disseminate best practice.

12.9 A no-nonsense guide to access to finance for small businesses will build on the successful model of "The no-nonsense guide to Government rules and regulations for setting up your business" to provide clear and accurate advice to all small businesses looking for external finance. The document will be available in paper version as well as via the www.businesslink.gov.uk portal.

12.10 The DTI will continue to work closely with HMT and the FSA to ensure that the implementation of the various Directives under the European Financial Services Action Plan provides a supportive environment in which UK business can compete effectively.

12.11 The Department will also work with HMT and the IR to promote the R&D Tax Credits that have been introduced to encourage greater levels of R&D investment by UK companies. This will include the continued promotion of the messages from the annual R&D and Value Added Scoreboards concerning the value of R&D.

Achievements for 2003-04

Finance and investment in innovation

12.12 The causes for market weakness in the provision of small amounts of risk finance ("the finance gap") arise from problems of imperfect (asymmetric) information and, following on from that, structural issues around the search and examination (diligence) costs of making small investments. Many of these costs are fixed regardless of investment size so are proportionately higher for smaller investments.

12.13 The lack of investment activity within the finance gap also means that information on the risks and returns of such investments is lacking and this can put

HIGHLIGHTS OF 2003–04

- SBS ran six "investment readiness" demonstration projects
- Businesslink.gov.uk portal goes live
- 107 investments have been made in 83 companies via the nine Regional Venture Capital Funds
- Revised definition of R&D for tax purposes developed
- Improved R&D and Value Added Scoreboards published
- Development, in conjunction with key stakeholders, of an action plan to address failures in the Employers' Liability Insurance system
- 16 investments have been made in 15 companies through the Early Growth Funds

off would be investors. There is also evidence that these problems are particularly severe for the UK's disadvantaged communities.

12.14 By targeting interventions as closely as possible to the causes of the market weaknesses and working with the private sector, the Department seeks to improve the overall financing environment.

12.15 Building on the successful introduction of the Large Company and SME R&D Tax Credits, the DTI, in conjunction with HMT and the IR, has undertaken a fundamental review of the definition of research and development for tax purposes. This has involved significant consultation with business and a new definition, which has been widely welcomed by business, will be introduced alongside the 2004 Finance Act.

Access to finance

12.16 Survey evidence suggests that while most established SMEs are generally satisfied with the availability of external finance – with 87% experiencing no difficulties in raising the finance that they needed (SBS)[2], the 13% of businesses that do report difficulties include a high proportion of businesses with strong growth potential and high-risk financing needs. A lack of access to finance continues, therefore, to represent a particular barrier for those businesses that have the potential to improve productivity.

12.17 Research has also identified that debt finance in disadvantaged communities is typically offered at higher interest rate margins with smaller values and shorter duration than comparable loans made elsewhere (Bank of England) and that Afro-Caribbean businesses are significantly less likely to obtain external finance, and particularly bank finance than other businesses (BBA).

12.18 The UK has the largest private equity industry in Europe and the second largest in the world. There is, however, evidence that risk capital is difficult to access in the UK in amounts of below £2m (high-growth small businesses) and that there are wide geographical variances in the distribution of Venture Capital (BVCA). The majority of venture capital and private equity continues to go into later stage investments and the average investment size has continued to rise. This means that there is an investment gap affecting anyone who is seeking smaller amounts of equity capital, particularly for start-up and early stage businesses.

12.19 A joint DTI (SBS), HMT and IR consultation[3] set out these problems in more detail and sought views on the operation of existing interventions and on a potential new one.

SMALL BUSINESS INVESTMENT TASKFORCE

12.20 The SBS provides the secretariat for the Small Business Investment Taskforce (SBIT), which has been set up to advise the Government on all aspects of the access to finance for SMEs. One aspect of the Group's work has been to examine whether there are barriers to the growth of affordable financial intermediation in the UK.

EARLY GROWTH FUNDS

12.21 The Early Growth Funding (EGF) project was developed to provide risk capital to business start-ups and other businesses in the early stages of growth to enable them to realise their full potential. Funds are now making risk capital investments, in amounts averaging between £50,000

2 Research and Statistics available from www.sbs.gov.uk/
3 *"Bridging the Finance Gap: a consultation on improving access to growth capital for small businesses"*, April 2003, full text and further information available at www.sbs.gov.uk

Figure 12.1: Small Firms Loan Guarantee Scheme

	2000–01 Outturn	2001–02 Outturn	2002–03 Working Provision
Loans Guaranteed	4,312	4,269	4,567
Value (£ million)	240.5	254.7	287.1
Average Loan Size (£)	55,765	59,660	62,853
Demands against guarantee	1,545	1,629	1,576
Value (£ million)	34.43	44.93	43.28
Average default (£)	22,285	27,581	27,462
Receipts (£ million)	9.24	9.31	11.38
Net cost (£ million)	25.19	35.62	31.90
Provision (£ million)	87.83	86.20	96.70

and £100,000. Professional fund managers make these investments against commercial criteria. If successful, they will demonstrate to future investors that small-scale investments can be made to provide a commercial return using innovative financing structures. Many of the funds operate by co-investing with business angels to keep diligence costs down and to offer higher levels of post-investment support.

REGIONAL VENTURE CAPITAL FUNDS

12.22 A network of nine Regional Venture Capital Funds (RVCF)[4] has been established to address the "equity gap" encountered by SMEs seeking small-scale venture capital investment. These are fully commercial funds, managed by experienced venture capital fund managers, providing amounts of up to £500,000 to small, high-growth companies. By November 2003 the funds had made over 70 investments, and altogether the funds will invest approximately £250m in SMEs across England.

ENTERPRISE CAPITAL FUNDS

12.23 Following the "Bridging the finance gap" consultation[5], the Department has been working with a cross-section of interested parties to consider proposals for a UK version of the Small Business Investment Companies model, which has been seen as successfully supporting growing companies in the USA. The Government's response, which was published in December 2003, includes proposals for a pathfinder round of Enterprise Capital Funds, which will help to stimulate investment in SMEs currently affected by the equity gap.

SMALL FIRMS LOAN GUARANTEE SCHEME

12.24 The SFLG helps viable small firms access loans where conventional finance is unavailable due to a lack of collateral to offer as security. It has been running since 1981 but changes to the scheme came into effect on 1 April 2003. The eligibility criteria have been simplified and the scheme is now available to businesses in a number of previously excluded sectors including retail, catering and motor repairs. Take up has increased by over 40% from last year. Work is currently underway to bring new lenders into the scheme, and an independent review of the effectiveness of the SFLG has recently been announced.

4 Further details about the RCVFs available at www.sbs.gov.uk/default.php?page=/finance/rvcf.php

5 *"Bridging the Finance Gap: a consultation on improving access to growth capital for small businesses"*, April 2003, full text and further information available at www.sbs.gov.uk

Figure 12.2: Smart and Enterprise Grant Expenditure in England (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Smart/R&D grant	23.7	27.0	27.0	27.0	27.0
Enterprise Grant/successor schemes	0	17.0	24.0	24.0	24.0

GRANTS FOR INVESTIGATING AN INNOVATIVE IDEA

12.25 The Technology Reviews and Technology Studies that were available under the Smart scheme closed to applications on 31 May 2003 and a new product, the grant for investigating an innovative idea, has now taken their place. This is currently being piloted and will be developed into a programme to help small businesses to prepare for innovation.

GRANT FOR RESEARCH AND DEVELOPMENT

12.26 On 1 June 2003 the new Grant for Research and Development was introduced as part of a cohesive range of services now provided by the SBS via Business Link outlets. These grants, of up to £500,000 (depending on the size of the business and the type of project undertaken) aim to help develop an innovative product, process or service. Already there have been record levels of take up by small innovative businesses. 354 businesses have been supported since the launch in June 2003.

AERONAUTICS RESEARCH PROGRAMME

12.27 As a central part of the UK aeronautics technology partnership activity, the DTI's Aeronautics Research Programme has been supporting long-term technology acquisition for the UK civil aerospace manufacturing industry with a budget of about £20m per year, pursuing a UK aeronautics strategy catalysing inputs from all stakeholders.

12.28 In line with the DTI review of Business Support, this programme closed to new applications during the year. In future the Department will be offering support for priority technologies for exploitation across the widest range of UK industry and the priority themes for Calls for Proposals will be based on the Department's developing Technology Strategy.

Fiscal, corporate and regulatory environment

EMPLOYERS' LIABILITY INSURANCE

12.29 During 2003-04 the Department worked with DWP and HMT and a wide range of stakeholders including business, the insurance industry, lawyers and unions to set out an agenda for action aimed at addressing failures in the Employers' Liability Insurance system. A report on the planned actions was published in December 2003[6].

LATE PAYMENT/CASHFLOW

12.30 The Department continues to work in partnership with the Better Payment Practice Group to promote awareness of the Late Payment legislation and of the benefits of prompt payment and good credit management. Prompt payers gain a reputation for professionalism as well as opportunities for discounts and favoured customer status. Good credit management is always essential; a sale is only a sale when the money is in the bank!

6 Full text available at www.dwp.gov.uk/publications/dwp/2003/elci/dwp_employers_review04-12-2003.pdf

Increasing investment in value-added activity

LAUNCH INVESTMENT

12.31 Launch Investment is a risk-sharing Government investment in the design and development of specific civil aerospace projects in the UK. The investment is not a grant and is repayable to the Government at a real rate of return, usually via levies on sales of the product developed. Launch investment is available only to the aerospace sector and stems from the provisions of the Civil Aviation Act 1982.

12.32 The provision of launch investment is entirely discretionary. There is no formal scheme, promotion or budget and each launch investment application is considered on its merits against a range of established criteria. In view of the significant amounts of public expenditure involved, the DTI closely monitors the progress of a supported programme. Payments are linked to actual expenditure by the company and to the achievement of specific technical milestones.

12.33 The Department is currently conducting a valuation of the Launch Investment portfolio, as at 31 March 2003.

ANNUAL VALUE ADDED AND R&D SCOREBOARDS

12.34 OECD productivity statistics show UK firms' investment lags behind major competitors and this is further endorsed by 2002 NIESR research[7] that showed under-investment in Capex and R&D as a major factor behind the productivity gap. This under-investment is confirmed via BERD Statistics[8] (R&D Investment within UK – 2002 figures – UK 1.24% of GDP) and the 2003 R&D Scoreboard which shows R&D investment intensity (R&D as % of sales) nearly half of the international average (2.2% compared to 4.3%). Decreasing levels of corporate profitability and changes to pension provisions are also putting pressure on investment for future growth, whilst the Value Added Scoreboard shows that the UK has a higher proportion of low value-added businesses than its European counterparts.

12.35 The 2003 Value Added Scoreboard[9] provides a measure of the wealth created by the top 800 UK and 600 European companies and the efficiency of its generation. Value Added is important since it represents the wealth created to pay salaries and wages to employees, dividends to shareholders, interest to lenders, taxes to governments and fund the investment needed to grow and develop business.

12.36 The 2003 R&D Scoreboard[10] gives details of R&D investment by UK and international companies including 700 UK-based companies (39 from the FTSE 100) with R&D investments totalling £16bn. The international section comprises the top 700 R&D investing companies (each with over £34m R&D) with R&D totalling £207bn. New data for 2003 includes 100 more international and UK companies together with new information on cost of funds, USA patents and market cap to sales ratios and these enhancements make the Scoreboard an even more useful sector-based international benchmarking tool for companies.

INTANGIBLE ASSETS

12.37 Successful companies are recognising the increasing importance intangible assets play in their ability to compete effectively and to bring world-class products and services to market.

7 O'Mahoney, M. and W de Boer, *"Britain's Relative Productivity Performance: update to 1999, Final Report to DTI/HMT/ONS"*. National Institute of Economic and Social Research (2002)
8 Business Enterprise Research & Development statistics – Source ONS
9 2003 Value Added Scoreboard available at www.innovation.gov.uk
10 2003 R&D Scoreboard available at www.innovation.gov.uk

Building on the DTI report "Creating value from your intangible assets"[11], which was published in May 2001, the DTI has developed a diagnostic toolkit to further help companies to understand the intangible factors which are critical to their future success, and encourage them to invest accordingly[12].

Figure 12.3: Expenditure on Finance for Investment (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**113.6**	**261.0**	**348.4**	**48.8**	**-15.8**
of which:					
Enterprise Fund	**39.2**	**74.7**	**98.1**	**123.2**	**112.5**
of which:					
Small Firms Loan Guarantee	35.6	62.9	55.8	66.0	72.0
Other Programme	1.5	2.8	12.3	9.2	8.5
Capital	2.1	9.0	30.0	48.0	32.0
Grant for R&D (including Smart)	**23.7**	**32.1**	**28.4**	**26.0**	**26.0**
Grant for Investigating an Innovative Idea[a]	**–**	**–**	**2.0**	**1.0**	**1.0**
Business Finance and Investment Unit[b]	**–**	**–**	**1.9**	**1.9**	**1.9**
Aerospace – Launch Investment	**50.7**	**154.2**	**218.0**	**-103.3**	**-157.2**
Capital	188.7	258.2	323.6	22.0	0
Expert advice and other programme	4.5	4.2	2.9	1.1	1.1
Receipts (excluding CFER)	-134.2	-91.0	-20.9	-29.6	-43.4
Total Receipts	-142.5	-108.2	-108.5	-126.4	-158.3

Capital figures for the Enterprise Fund do not include provision for the introduction of Enterprise Capital Funds, other than funding for the initial pathfinder round.
[a] The programme is a pilot study for an innovation grant, launched in June 2003.
[b] The role of the BFIU, in the years prior to 2003-04, was subsumed within the Innovation Unit.

11 DTI *"Creating value from your intangible assets"*, May 2001, available at www.innovation.gov.uk
12 DTI *"Creating Value from your intangibles – A self assessment tool for business"* February 2004, available at www.innovation.gov.uk

13 SUSTAINABILITY AND THE ENVIRONMENT

Introduction
PSA Target 4
Plans for 2004-05
Achievements in 2003-04
Climate Change
Energy and the Environment
Renewable Energy Supply

Introduction

The challenge for the Department is to "promote sustainability, through the delivery of the low carbon aims of the Energy White Paper and improving the contribution of business to sustainable development".

13.1 A Government Economic Service working paper has estimated the damage cost of carbon emissions as between £35 and £140 per tonne of carbon. Most of the anticipated carbon savings from now until 2020 can be delivered at costs lower than, or in line with this range. UK analysis suggests that the cost of the UK's contribution to stabilising carbon dioxide concentrations will be a reduction in GDP of between 0.5% and 2.0% in 2050. Overall GDP would still be almost three times as high as it is now. International research[1] suggests that market based policy instruments, such as emissions trading, can halve the impacts on competitiveness.

13.2 Domestic oil and gas production meets the great majority of the UK's energy demand with a growing proportion of energy supply coming from offshore renewable sources. Against this background it is essential that both are subject to effective environmental oversight in line with sustainable development principles. The UK environmental industry currently has a turnover of approximately $16bn, which represents a 4.7% share of world markets. The market shares of France and Germany are about 50% higher than the UK when normalised to domestic GDP. Analysis by the Joint Environmental Markets Unit (JEMU)[2] suggests that future overseas opportunities for the UK are strong in many areas of the environmental industry, such as water and wastewater treatment.

13.3 In many cases, businesses can make savings from acting more sustainably. Energy use accounted for about 95% of carbon dioxide emissions in 2001, and about 80% of all greenhouse gas emissions. Improvements in energy efficiency will cut costs for business, thereby improving competitiveness, as well as being beneficial to the environment. The total cost of waste to manufacturing has been put at between £2bn and £2.9bn a year, or 7% of profits[3]. Many of the most successful businesses have identified clear gains to competitiveness from making sustainable development and corporate social responsibility central to their business strategy.

1 Report of Working Group III of Intergovernmental Panel on Climate Change, Mitigation, 2001.
2 *"Global Environmental Markets and the UK Environmental Industry: Opportunities to 2010"* (2002), available at www.dti.gov.uk/jemu/text_only/uk_page/main.html
3 Cambridge Econometrics study for Defra

PSA Target 4

13.4 Some of the work carried out within this business objective contributes to the Department's PSA target 4 (SR2002)[4], to ensure the UK ranks in the top three most competitive energy markets in the EU and G7 in each year, whilst on course to maintain energy security, to achieve fuel poverty objectives; and (a joint target with DEFRA) to improve the environment and the sustainable use of natural resources.

Plans for 2004-05

13.5 Work towards the commitments set out in the Energy White Paper[5] and submission of the EU Emissions Trading Scheme National Allocation Plan will promote sustainability of energy supply and provide UK businesses with a clear way forward to reduce carbon emissions. Opportunities will also be maximised for these businesses to compete successfully in domestic and overseas markets.

13.6 The enactment of the Energy Bill will also help to ensure renewable energy supplies 10% of electricity, at acceptable cost by 2010, by establishing a legislative regime for offshore renewables. This will also assist in the UK's aspirational goal for renewables to supply 20% of electricity by 2020. The Bill will also establish the Nuclear Decommissioning Authority as a new public body with the primary role of ensuring the decommissioning and clean up of Britain's civil public sector nuclear sites[6].

13.7 The contribution of business to sustainable development will continue to be improved. EU Directives and other policies will be negotiated and implemented to ensure environmental aims are balanced against costs to business and businesses will be encouraged to adopt corporate social responsibility as part of their business strategy, taking impacts on a wider society into account and de-coupling economic growth and environmental degradation. Pilot projects will be set up to implement the UK Government framework for sustainable consumption and production.

13.8 Arrangements to decommission oil and gas facilities that have reached the end

HIGHLIGHTS OF 2003-04

- Early introduction of the Energy Bill into the House of Lords in November 2003 and Grand Committee completed on 2 March 2004
- Sustainable Energy Policy Network established to deliver the Energy White Paper
- Reduced regulatory uncertainty in the financing of renewables by signaling the Government's intention to extend renewables obligation to 15.4% by 2015
- First significant offshore wind farm at North Hoyle generating electricity
- Publication (jointly with DEFRA) of Changing Patterns, the Government's framework for sustainable consumption and production
- Consultations on implementation of the EU Waste Electrical and Electronic Equipment Directive and the End of Life Vehicles Directive
- Better Buildings Summit held to launch cross-departmental initiatives relating to sustainable construction, including the formation of the Sustainable Buildings Task Group

4 Full text and technical note at www.dti.gov.uk/about/psa/psa_target_4.htm
5 Full text of White Paper available at www.parliament.the-stationery-office.co.uk/pa/ld200304/ldbills/002/2004002.htm
6 Further details about the Nuclear Decommissioning Authority can be found in Chapter 15

of their economic life will continue to pay full and proper regard to safety, environmental and international requirements. Measures by Government and Industry to improve the spread of best practice and share decommissioning experience are being strengthened.

Achievements in 2003-04

Climate change

13.9 Climate change threatens major consequences in the UK and worldwide, and the human, environmental and economic costs can be high. Some climate change is now inevitable, but the worst effects can be avoided if the world acts now to reduce greenhouse gas emissions.

EU EMISSIONS TRADING SCHEME

13.10 The EU Emissions Trading Scheme (EU ETS) will start in 2005, establishing the world's largest-ever market in emissions. The scheme will include power generation, mineral oil refineries, offshore installations and other heavy industrial sectors in its first phase and up to 2,000 UK installations that collectively emit about half of the economy's carbon dioxide emissions, are set to participate in this market. The Department has worked closely with HMT, Ofgem and DEFRA to achieve outcomes that are acceptable in terms of their impacts on industry and competitiveness.

13.11 The EU ETS offers significant opportunities for the UK, but also poses many challenges for the Government, including how shares of the total number of allowances available for UK installations should be allocated. This allocation will be set out in the UK National Allocation Plan (NAP). Allowances will be denoted in tonnes of carbon dioxide emissions, with at least 95% of them being available free. The first draft of the NAP, which was due to be produced by the end of 2003, was issued for consultation in January 2004 and has followed a series of consultations[7] with interested UK businesses and other stakeholders initially launched in August 2003.

Energy and the environment

REGISTRATION EVALUATION AND AUTHORISATION OF CHEMICALS

13.12 The DTI has worked closely with the lead Department (DEFRA) to improve the proposals for a new EU chemicals regulation, REACH (Registration, Evaluation and Authorisation of Chemicals). This has resulted in a number of significant changes aimed at ensuring that REACH is an efficient, cost-effective and workable system for the protection of human health and the environment, which maintains competitiveness of the chemical industry and downstream users. The DTI and DEFRA will continue their joint efforts to ensure further improvements are made.

BETTER BUILDINGS SUMMIT

13.13 The joint DTI/DEFRA/ODPM Better Buildings summit was held on 21 October 2003. The follow up to the summit is being pursued through the new Sustainable Buildings Task Group[8], which is tasked with identifying specific, cost effective improvements in the quality and environmental performance of buildings.

AGGREGATES LEVY SUSTAINABILITY FUND

13.14 The Department continues to be one of the dispersing agents for the Aggregates Levy Sustainability Fund[9]. The DTI element covers the specific aspect of

7 Available at www.dit.gov.uk/energy/sepn/euets
8 More information available at www.dti.gov.uk/construction/sustain/sbtg.htm
9 More information at www.odpm.gov.uk/stellent/groups/odpm_planning/documents/page/odpm_plan_609170.hcsp

research and, together with work being undertaken by the Waste and Resources Action Programme, it is hoped that the combined effort will result in an additional 2m tonnes of reprocessed aggregates in England by the end of 2004.

13.15 Following the introduction of the Anti-Social Behaviour Act[10] in November 2003, the DTI has been actively involved in a Cabinet Steering Group considering the issue of fly-tipping. The output of this work may be included in a new DEFRA sponsored Clean Neighbourhoods Bill, which is scheduled to be available for public consultation in 2004.

SUSTAINABLE USE OF NATURAL RESOURCES

13.16 Changing Patterns, the UK Government framework for Sustainable Consumption and Production (SCP) was published in September 2003 by the DTI and DEFRA, together with a consultation on SCP indicators[11]. This set out the Government's approach to taking forward action on SCP from the 2002 World Summit on Sustainable Development, the first EU member state to do so. It brought together the economic and environmental case, and set out specific steps including collaborative projects with industry sectors to examine resource use.

13.17 The DTI is responsible for some "producer responsibility" measures, which place on producers of products the onus for dealing with their recovery and recycling when they are finished with[12]. During 2003-04 the Department made the first set of regulations to implement the EU End of Life Vehicles Directive, and launched a consultation on the second set, covering the regime to apply after 2006, as well as a consultation on implementation of the Waste Electrical and Electronic Equipment (WEEE) and Restriction of Hazardous Substances (ROHS) Directives. The EU conciliation procedure between the Council and European Parliament on the revised Packaging Waste Directive was also successfully concluded.

Renewable energy supply

13.18 The Government is strongly committed to increasing renewable energy usage in order to help reduce greenhouse gas emissions and thereby contribute to national and international targets for emissions reductions. Increasing usage of the various renewables technologies will also contribute to greater diversity in the UK energy supply.

POLICY PLANNING STATEMENT

13.19 The ODPM launched its Policy Planning Statement (PPS) 22 for consultation on 5 November 2003[13]. This sets the planning policy framework for the development of renewable energy resources in England and the finalised Statement will replace existing guidance. In parallel, the DTI has published draft guidance on renewables, which complements PPS 22 and aims to assist those involved in local planning by clarifying the national policy for delivering renewable energy.

SUPPORT SCHEMES

13.20 Government support for renewables over the period 2002-03 to 2005-06 is some £348m through capital grants and the Renewables R&D programme. This includes capital grants for offshore wind, bioenergy, photovoltaics, community schemes, wave and tidal, and metering and control technologies. This funding will increase momentum towards

10 Full text available at www.hmso.gov.uk/acts/acts2003/20030038.htm
11 Further details, including the text of the framework and the consultation available from www.dti.gov.uk/sustainability/scp/
12 Further details available from www.dti.gov.uk/sustainability/
13 *"Consultation on Draft New Planning Policy Statement 22 (PPS22): Renewable Energy"* available at www.odpm.gov.uk/stellent/groups/odpm_planning/documents/page/odpm_plan_025517.hcsp

reaching the Government's ambitious targets on renewables, and take forward a broad strategy for renewables.

RENEWABLES OBLIGATION

13.21 Introduced in April 2002, the Renewables Obligation[14] calls on all licensed electricity suppliers in England and Wales to supply a specified and growing proportion of their electricity sales from a choice of eligible renewable sources. The Renewables Obligation Scotland is the equivalent instrument in Scotland. In 2002 (the last year for which figures are available) 1.7% of the UK's electricity was generated from renewable energy sources that were eligible for the Renewables Obligation and 3.0% was generated from all renewables (i.e. including those not eligible for the RO, in particular large scale hydro and electricity generated from mixed wastes not using advanced conversion technologies).

13.22 The level of the Renewables Obligation profile was increased in stages to reach 15.4% in 2015-16 to enhance investor confidence in renewables. This means that instead of the Renewables Obligation remaining at 10.4% from 2010-11 until the end of the Obligation, it will now increase as follows:

Figure 13.1: Renewables Obligation profile

2011-12	11.4%
2012-13	12.4%
2013-14	13.4%
2014-15	14.4%
2015-16	15.4%

13.23 Although the Renewables Obligation Order is encouraging the growth of renewables in Britain, a consultation on the technical review of the Order was carried out during 2003-04[15] and plans are now being developed to amend it. These amendments will extend co-firing of biomass with fossil fuels, and enable smaller generators to accumulate Renewable Obligation Certificates, ensuring that they are part of the renewables 'family'. The amendments are planned to come into force by 1 April 2004.

13.24 In parallel with this work, another consultation has also been undertaken. As a result of TXU going into administration, there is a shortfall in the Renewables Buy-out fund of some £23m and the proposed amendment to the Order will allow Ofgem to receive late payments and to disburse them to eligible suppliers for the obligation period to which they relate. The Department plans to amend the Obligation to enable Ofgem to accept, and disburse, late buy-out payments, again with effect from 1 April 2004. This will not affect the present shortfall but should mitigate the impact of any future shortfalls. In addition, the Department is now working with industry to develop mechanisms to mitigate the impact of any future shortfall in the fund.

13.25 The Energy Bill includes provisions to allow the recognition of Great Britain Renewable Obligation Certificates in Northern Ireland and, once Northern Ireland introduces its own Renewables Obligation, vice versa.

RENEWABLES INNOVATION REVIEW

13.26 During 2003 the Renewables Innovation Review[16], a joint DTI/Carbon Trust project team initiative, looked at how the Government can best encourage and support innovation in the new and renewable energy industry and facilitate delivery of the UK's renewables targets and carbon reduction aspirations and desired economic benefits to the UK, in the most cost effective way.

14 More information at www.dti.gov.uk/energy/renewables/policy/renewables_obligation.shtml
15 Further details available at www.dti.gov.uk/energy/renewables/policy/roorderamend2003.pdf
16 More information at www.dti.gov.uk/energy/renewables/policy/renewables_innovation_review.shtml

The Review will feed into DTI and Government's future funding decisions.

RENEWABLES SUPPLY CHAIN GAP ANALYSIS

13.27 The Renewables Supply Chain Gap Analysis[17] was published in January 2004. This analysis, prepared by Renewables UK, the Scottish Executive and Highlands and Islands Enterprise, examined the implications for employment and the capability of UK industry to develop a viable, long term, globally active renewable energy industry. The total monetary value of the renewables industry is estimated at £290m, and there are around 8,000 jobs sustained by the industry. The analysis also identified opportunities across the supply chain in wind, biomass, photovoltaic and wave and tidal technology.

LIAISON WITH STAKEHOLDERS

13.28 The DTI has established a Wind Energy, Defence and Civil Aviation Interests Working Group[18] to bring together all the stakeholders from both the wind energy industry and the aviation community including the Ministry of Defence (MoD). This Group has commissioned research into the effects of rotating wind turbine blades on radar, which can potentially compromise the safety of civil and military aviation, and proposed several important measures to simplify the planning procedure for accommodating the UK's national security needs. In response, the MoD will shorten proposal turn-around times as well as providing advice on any adjustments that can be made to a proposal to make it more acceptable to them and the DTI is developing new systems to streamline applications. Hadyard Hill, a 130MW onshore wind farm in Scotland has recently received consent after earlier objections by MoD had been dropped.

13.29 The Department has also established a new forum for liaison between the offshore renewables industry and environmental bodies, and continues to host a similar body linking the fishing industry with the wind energy industry. The latter organisation produced a valuable set of guidelines on best practice in communication in December 2003.

OFFSHORE WIND FARMS

13.30 The Department gave development approval to a further seven offshore wind farms, bringing the total number of projects with consent to begin construction to 12. A major step forward for the offshore wind industry was made in November 2003 when the first of these projects, North Hoyle, began producing electricity. The wind farm has the capacity to provide electricity to 50,000 homes.

13.31 In July 2003 the Department invited the Crown Estate to hold a competition for a second round of site leases for offshore wind farms in three strategic areas – the Greater Wash, outer Thames Estuary and the North West (from the North Wales coast to the Solway Firth). This resulted in 15 site leases/licences being offered for projects with a potential combined capacity of 5.4 to 7.2 GW of offshore wind energy. If all these projects successfully achieve development consent they could provide 18% of the UK's domestic electricity requirements.

13.32 About one third of the sites for these offshore wind farms are outside UK territorial waters, in line with the Energy Bill, which proposes a legal framework to facilitate the development of renewable energy projects outside territorial waters.

17 *"Renewables supply chain gap analysis"* available at www.dti.gov.uk/energy/renewables/publications/pdfs/renewgapreport.pdf
18 Further details available at www.bwea.com/aviation/avwkgp.html

Figure 13.2: Expenditure on Sustainability and the Environment (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
TOTAL	**20.4**	**26.3**	**79.8**	**78.0**	**109.0**
Of which: Cleaner Coal Technology	4.4	3.2	8.4	6.4	6.4
New & Renewables	12.9	16.9	19.0	19.0	25.0
Sustainable Energy Bid	0.0	0.2	13.0	13.0	38.0
Photovoltaic Grant Scheme	–	2.0	4.0	4.0	4.0
New & Renewables – Capital Grants (CMF/NFFO – source)	–	0.0	30.0	30.0	30.0
Other	**3.1**	**4.0**	**5.4**	**5.6**	**5.6**
Of which: Environmental Surveys	1.2	1.7	1.7	1.7	1.7
Chemicals Notification	–	0.5	0.7	0.7	0.7
Chemicals Notification - Appropriations in Aid	–	–	-0.7	-0.7	-0.7
Energy & Environment Research	0.3	0.7	0.5	0.5	0.5
Offshore Aerial Surveillance	0.2	0.3	0.3	0.3	0.3
Annual Energy Report	0.1	0.3	0.1	0.1	0.1
Payments to ONS/SDR	0.3	0.4	0.3	0.3	0.3
MSO Consultancies	0.9	0.1	0.4	0.6	0.6
Innovation Group	–	–	2.0	2.0	2.0

14 CORPORATE AND INSOLVENCY ACTIVITY FRAMEWORK

Introduction
Plans for 2004-05
Achievements in 2003-04
Corporate Law
Corporate Governance
Effective Influencing
Corporate Malpractice

Introduction

The challenge for the Department is to "promote and deliver an effective framework for corporate and insolvency activity, giving confidence to investors, business and other stakeholders".

14.1 An effective corporate and insolvency framework is essential in order to support business and enterprise and to give confidence to investors, creditors and others with a stake in how businesses are run. The UK has a highly developed corporate framework and is one of the world's leading capital markets although parts of the legislative framework have become complex or outdated and recent scandals such as Enron and WorldCom have undermined confidence and trust in business and corporate regulation.

14.2 The DTI, including Companies House[1] (CH) and The Insolvency Service[2], has a key part to play in ensuring that the UK's overall framework for business activity supports productivity, enterprise and the creation of long-term shareholder value. This framework needs to strike a balance between encouraging enterprise and protecting investors and other stakeholders; and between minimising regulatory burdens and ensuring there are adequate systems for ensuring transparency, compliance and enforcement.

Plans for 2004-05

14.3 In 2004-05, the DTI, including CH and The Insolvency Service, will continue to work to create, maintain and deliver a framework that supports better businesses, and which ensures that the UK remains at the leading edge internationally in terms of corporate and insolvency regulation.

14.4 The DTI will reinforce capital market and investor confidence by ensuring that new legislative powers contained in the Companies (Audit, Investigations and Community Enterprise) Bill are successfully enacted and implemented, and the new Financial Reporting Council (FRC) structure is fully operational and effective. The DTI will also be continuing work on detailed legislative proposals to implement the Company Law Review.

14.5 In addition, the Department will be seeking to improve the quality of dialogue between investors and companies, through better shareholder engagement and to promote a long-term investment culture and "enlightened shareholder value" to provide certainty for business and the development of better businesses and high performing workplaces.

1 Further details in Chapter 17 and at www.companieshouse.gov.uk
2 Further details in Chapter 17 and at www.insolvency.gov.uk

14.6 The Department will work to raise awareness of the law and ensure high standards of compliance. It will also tackle malpractice, taking enforcement action in the public interest at the earliest possible stage. In particular, it will be improving the effectiveness of company investigations by raising the profile and understanding of the work of its Company Investigations Branch. In addition, through CH, the DTI will be seeking to bring about an increased awareness of corporate responsibilities and, through The Insolvency Service, an increased awareness of the causes and consequences of insolvency, thereby promoting a more responsible use of credit and increased standards of financial probity.

Achievements in 2003-04

Corporate law

MODERNISING COMPANY LAW

14.7 Following the independent Company Law Review and the 2002 White Paper, *"Modernising Company Law"*[3], draft legislation is now being developed to introduce this major programme of reform. Draft legislation is also being prepared that will require large companies to prepare an additional report on their performance and prospects, an Operating and Financial Review (OFR), on a mandatory basis.

14.8 On 16 December 2003 a consultation document *"Director and auditor liability"*[4] was published, highlighting concerns raised recently by auditors in relation to their potential liability and by Sir Derek Higgs in relation to that of non-executive directors.

ACTIONS ON AUDIT AND ACCOUNTANCY – POST ENRON

14.9 The Department, working with independent regulators and the audit profession, is implementing all 27 recommendations of the Co-ordinating Group on Audit and Accountancy Issues, which published its Final Report[5] in January 2003. In particular, the measures needing primary legislation are being taken forward as part of the Companies (Audit, Investigations and Community Enterprise) Bill.

REGULATION OF THE ACCOUNTANCY PROFESSION

14.10 Following the conclusions of the review of the regulatory regime of the accountancy profession[6], which was published in January 2003, the Department has been working with the FRC to implement the key recommendations. The Chairman of the FRC assumed chairmanship of the

HIGHLIGHTS OF 2003–04

- Companies (Audit, Investigations and Community Enterprise) Bill introduced in Parliament
- UK response to EU Action Plan on Company Law and Corporate Governance
- Draft Operating and Financial Review Regulations published in Spring 2004
- New arrangements for regulation of auditors under the FRC in place
- Audit exemption threshold raised to £5.6m

3 DTI *"Modernising Company Law"*, July 2002 (Cm 5553-I and II), also available at: www.dti.gov.uk/companiesbill/whitepaper.htm
4 DTI *"Director and Auditor liability"*, December 2003, also available at www.dti.gov.uk/cld/auditors_directors.pdf
5 URN 03/567, available at www.dti.gov.uk/cld/cgaai-final.pdf
6 *"Review of the Regulatory Regime of the Accountancy Profession"*, January 2003, (URN 03/589), available at www.dti.gov.uk/cld/accountancy-review.pdf

Accountancy Foundation on 31 March 2003, and the aims and objectives of the new FRC were published in July 2003[7]. The FRC's Auditing Practices Board has taken on responsibility for issuing standards relating to auditor independence, integrity and objectivity; its new Accountancy Investigation and Discipline Scheme is up and running; and its new independent Audit Inspection Unit will start inspecting audit forms in spring 2004. Other measures needing primary legislation are being taken forward as part of the Companies (Audit, Investigations and Community Enterprise) Bill.

COMPANIES (AUDIT, INVESTIGATIONS AND COMMUNITY ENTERPRISE) BILL

14.11 This Bill[8] was introduced into the House of Lords on 3 December 2003. It proposes new measures necessary to complete the Government's response to Enron. These will strengthen the system of regulating auditors, the enforcement of accounting and reporting requirements and the company investigations regime.

14.12 In addition, the Bill creates a new type of company for social enterprises, the Community Interest Company (CIC). These will provide a purpose-built vehicle for organisations that wish to trade for a social purpose, such as local regeneration or providing training within a community. They are an alternative to charities, industrial and provident societies and ordinary companies. A new CIC Regulator will ensure that assets and profits are used for the community interest.

PARTNERSHIP LAW

14.13 On 18 November 2003 the Law Commissions published their final report[9] and draft legislation on reforming partnership law, including proposals on a separate legal personality for partnerships, continuity of partnership, partners' duties and a special limited partnership without separate legal personality. The Department is now considering the next steps, taking into account work on modernising company law.

AUDIT THRESHOLDS

14.14 Following consultation on raising the audit thresholds[10], Government increased the audit threshold for small companies from £1m to £5.6m for turnover and from £1.4m to £2.8m for balance sheet total. At the same time thresholds for turnover and balance sheet total defining small and medium-sized companies were announced (from £2.8m to £5.6m and from £5.6m to £11.4m respectively). These changes came into force on 30 January 2004[11].

Corporate governance

NON-EXECUTIVE DIRECTORS

14.15 An independent review of non-executive directors by Derek Higgs[12], which was published in January 2003, recommended changes to the Combined Code to increase the effectiveness of non-executive directors on the boards of listed companies. The subsequent Tyson Report[13], of 19 June 2003 identified a clear business case for diversity on boards and the FRC published a revised Combined Code on 23 July 2003[14]. This came into force for companies with financial years starting on or after

7 Further details about the FRC available at www.frc.org.uk/about.html
8 Text available at www.publications.parliament.uk/pa/ld200304/ldbills/008/
9 *"Partnership Law, A joint report, Law Commission for England and Wales and Law Commission for Scotland"* (Law Com No 283, Scot Law Com No 192). Available at www.lawcom.gov.uk
10 *"Raising the Thresholds."* Available from www.dti.gov.uk/cld/audit.htm
11 SI 2004/16, The Companies Act 1985 (Accounts of Small and Medium-Sized Enterprises and Audit Exemption) (Amendment) Regulations 2004
12 Further details at www.dti.gov.uk/cld/non_exec_review/index.htm
13 Available at www.london.edu/
14 The Combined Code on Corporate Governance, available at www.frc.org.uk/documents/pdf/combinedcodefinal.pdf

1 November 2003. A database of potential non-executive directors was launched on 4 November by the Institute of Chartered Accountants in England and Wales[15] and the Department is now planning research on Board analysis and monitoring as a platform for encouraging diversity on Boards.

DIRECTORS' REMUNERATION

14.16 In June 2003 the Department published a consultation document, *Rewards for failure*[16], concerning the issue of excessive severance payments and the Government's response is now being considered.

ACCOUNTING FOR PEOPLE

14.17 The Human Capital Management Reporting task force (now known as Accounting for People), which was set up in January 2003, looked at ways in which organisations can measure and report on the quality and effectiveness of their human capital management. The task force report[17] was published on 3 November 2003, focusing on best practice guidance and voluntary initiatives.

Effective influencing

TAKEOVERS DIRECTIVE

14.18 Agreement on the Takeovers Directive was reached at Competitiveness Council on 27 November 2003 and a parallel text was agreed by the full plenary session of the European Parliament on 16 December 2003. Although the directive is disappointing in doing little to address barriers to takeovers in the EU, it will bring some benefits. The directive will need to be implemented domestically within two years and the DTI will consult widely with key stakeholders on how this should be done.

EU ACTION PLAN ON COMPANY LAW AND CORPORATE GOVERNANCE

14.19 On 21 May 2003 the EU Commission published the EU Action Plan on Company Law and Corporate Governance[18] and the Government responded in August 2003[19]. The Action Plan is far-reaching, containing 24 specific proposals. These are mainly for EU Directives and cover the whole spectrum of company law and corporate governance issues. It is intended to be completed over approximately 10 years, with the action points being categorised according to perceived priority (short, medium and long term). The first formal proposal under the plan, the cross border mergers Directive, was published in November 2003[20] and discussions have taken place on EU proposals to simplify the capital maintenance regime and facilitate transfer of a company's registered office.

ADOPTION OF INTERNATIONAL ACCOUNTING STANDARDS

14.20 With effect from 1 January 2005, all companies whose securities are traded on a regulated market in the EU will be required by the European Regulation on International Accounting Standards to prepare their consolidated accounts in accordance with International Accounting Standards (IAS). On 17 July 2003 the Government announced, following consultation, that it would be extending application of the Regulation on a voluntary basis so that UK companies not otherwise required to comply can choose whether to use IAS. The

15 Further details about the ICAEW and its activities can be found at www.icaew.co.uk/
16 Available at www.dti.gov.uk/cld/condocs/htm
17 *"Accounting for people, Report of the task force on Human Capital Management"*, November 2003, available at www.accountingforpeople.gov.uk/downloads/afp_report.pdf
18 *"EU Action Plan on Company Law and Corporate Governance"* available at europa.eu.int/comm/internal_market/en/company/company/modern/consult/1_en.htm
19 A summary of the responses is available at europa.eu.int/comm./internal_market/en/company/modern/index.htm
20 Available at europa.eu.int/comm/internal_market/en/company/company/mergers/mergers_en.htm

Department will consult on recommendations to implement use of IAS in early 2004.

MODERNISATION OF ACCOUNTING DIRECTIVES

14.21 On 6 May 2003 the Modernisation Directive was adopted. This Directive is intended to remove conflicts with international accounting standards for those companies that will continue to prepare their accounts under domestic law rather than using IAS. The implementation of the Directive will be the subject of a consultation document and draft regulations in early 2004.

EU PROPOSALS ON STATUTORY AUDIT

14.22 An EU Communication on statutory audit[21] was published in May 2003 and a Commission proposal for modernisation of the 8th Directive on auditor regulation is due in March 2004. Changes to this directive are intended to be a major part of the Commission's response to the accounting and audit failures in recent years in the USA and in some Member States.

EUROPEAN COMPANY STATUTE

14.23 The European Company Statute[22] (ECS) creates a legal framework for a new form of company, the European Company or 'Societas Europaea' (SE), and comes into force on 8 October 2004. Domestic legislation will be needed setting out which Member State options the UK will be adopting and prescribing the documentation that will need to be filed at Companies House to register a European Company and the Department issued a consultative document in October 2003.

Corporate malpractice

14.24 The Department is responsible for enforcement measures necessary to maintain an effective framework for commercial activity and dealing with unacceptable business behaviour. The Secretary of State has powers to enquire, to investigate and to appoint inspectors where fraud or misconduct is suspected, where shareholders have been denied reasonable information, or where she considers it to be in the public interest. In 2002-03, some 33% of requests for company investigations came from the general public (Figure 14.1).

14.25 In the year from April 2002 to March 2003, the Department completed 356 company investigations (under Section 447 of the Companies Act 1985), averaging completion within 213 days per internal investigation from receipt of a complaint against a target of an average 188 days to complete. The Department met its target of 98 days to decide upon acceptance or rejection of a complaint and to allocate an accepted complaint to an available investigator, averaging 84 days over the course of the year. In 2002-03, there were 17 disqualifications plus seven convictions as a result of earlier investigations, and 80 companies were wound up by order of the Court on petitions presented by the Secretary of State.

14.26 In cases of strong public interest the Department is also able to appoint inspectors (under section 432 of the Companies Act 1985) to investigate the affairs of a company and report publicly on their findings. There were no new Companies Act inspections during the year.

21 Further details at europa.eu.int/comm/internal_market/en/company/audit/news/399.htm
22 Further details at europa.eu.int/comm/internal_market/en/company/company/news/01-1376.htm

Figure 14.1: Sources of Complaints Leading to Company Investigations in 2002-03



Figure 14.2: Expenditure on Corporate and Insolvency Activity Framework (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**20.6**	**23.2**	**24.9**	**11.1**	**10.7**
of which:					
Investor protection	3.4	3.6	3.7	4.7	4.5
Financial reporting and company law	0.8	1.3	2.7	3.6	3.2
Disqualification of Directors[a]	14.3	15.8	15.9	n/a	n/a
Companies House late filing penalties	2.1	2.5	2.6	2.8	3.0

a The Insolvency Service will move to a net funding regime from 1 April 2004 and Disqualification Programme costs will be included in a wider enforcement programme covering Disqualification, Prosecution and Bankruptcy Restriction Orders.

15 ASSETS AND LIABILITIES

Introduction
Plans for 2004-05
Achievements in 2003-04
Coal Health Liabilities
Other Residual Industrial Liabilities
Nuclear Liabilities
Postal Services

Introduction

The challenge for the Department is the "safe, economic, efficient and effective management of energy and other Departmental assets and liabilities".

15.1 The Department manages various assets and liabilities on behalf of the Government, including nuclear energy, residual liabilities arising from the coal, steel and shipbuilding industries and the UK postal services.

15.2 The DTI is responsible for implementing new arrangements to clean up the UK's nuclear legacy. This must be done safely, securely and more cost effectively, and will include the establishment of the Nuclear Decommissioning Authority, the restructuring of British Nuclear Fuels Plc[1] (BNFL) and best practice corporate governance of BNFL, the United Kingdom Atomic Energy Authority[2] (UKAEA) and the Nuclear Decommissioning Authority[3] (NDA) through and after transition to the new arrangements.

Plans for 2004-05

15.3 The coal health schemes are compensating approximately 650,000 claimants, at a cost of some £8.5bn. These claims result from coal industry liabilities established at law. The DTI will continue to manage them as efficiently as possible.

15.4 In addition, other coal liabilities, including pensions and environmental clean-up responsibilities flow from the privatisation of the coal industry. The DTI is required to discharge these liabilities as cost-effectively as possible, to liquidate the liabilities and to maximise receipts from assets, including the pension funds.

15.5 The DTI is also responsible for the British Shipbuilders' effective and efficient management of its liabilities of some £20m, which are essentially health claims.

15.6 The Government has introduced legislation to establish by April 2005 the NDA to ensure the decommissioning and clean-up of the UK's 20 public sector civil nuclear sites, including Sellafield and Dounreay. Experience in the USA has been that savings of 20% plus are achievable and the DTI hopes to achieve similar efficiencies in the UK through more effective site management, including the introduction of competition.

15.7 The target for the completion of the Royal Mail renewal plan is April 2005. During 2004 the Department will develop a strategy for the following three years and decisions on future support for the rural post office network will be made by summer 2004.

1 Further details about BNFL and its activities can be found at www.bnfl.com
2 Further details about UKAEA and its activities can be found at www.ukaea.org.uk/
3 Further details about the NDA can be found at www.dti.gov.uk/nuclearcleanup/nda.htm#role

15.8 The Department is also responsible for the management of the Iron and Steel Employees Re-adaptation Benefit Scheme. This scheme will effectively be wound-up by the end of 2004-05, through the processing of all redundancy re-adaptation payments by that time.

Achievements in 2003-04

Coal health liabilities

CHRONIC OBSTRUCTIVE PULMONARY DISEASE

15.9 The Chronic Obstructive Pulmonary Disease (COPD) scheme currently has over 380,000 claims with around 480,000 predicted by the cut-off date of 31 March 2004. This cut-off date has been agreed by the Judge overseeing the scheme, and was advertised a year prior to the effective date, to ensure that all claimants have the opportunity to submit claims.

15.10 In 2003 over 60,000 full and final offers were made on COPD claims, an increase of 10,000 over the 50,000 made in the year ending 31 December 2002. The Department has set a target of 35,000 full and final offers under the COPD scheme in the first half of 2004. To date the Department has made over 165,000 payments under the COPD scheme, with over 100,000 individual claims settled and over £950m in compensation paid to claimants.

VIBRATION WHITE FINGER

15.11 The DTI's target of 30,000 offers for General Damages for 2003 was met. There are currently 169,000 outstanding Vibration White Finger (VWF) claims. The scheme is closed and any claims received now are being dealt with on a common-law basis. The Department has settled 60,000 claims with some £910m in compensation having been paid.

15.12 Loss of services claims are now being processed and up to 55,000 claims are predicted. Only one major issue remains to be resolved by courts, which is scheduled for March 2004.

Other residual industrial liabilities

COAL NON-HEALTH LIABILITIES

15.13 The British Coal Corporation (BCC) was charged, under the Coal Industry Act 1994, with managing or disposing of its remaining mining liabilities and disposing of its non-mining subsidiaries, assets and liabilities. BCC has now achieved that objective and was dissolved on 27 March 2004, with the few remaining liabilities transferred to either the Coal Authority[4] or the DTI, under the Coal Authority Restructuring Scheme no.9 and the Final Restructuring Scheme.

15.14 At the end of 2003 there were 128,000 beneficiaries of the concessionary fuel scheme, providing concessionary fuel to the former employees of the BCC, of whom 40,000 took solid fuel and the remainder took the cash in lieu alternative.

HIGHLIGHTS OF 2003–04

- Over £1.8bn in compensation has been paid out to claimants of COPD and VWF schemes
- Provisions to establish the NDA included in the Energy Bill, introduced in the House of Lords in November 2003
- State aid clearance secured for a £2bn package of support for the rural post office network

4 Full details of the Coal Authority and its activities available at www.coal.gov.uk/

15.15 Approximately £57m has been paid to 42,500 members of the Mineworkers Pension Scheme (MPS) who qualify for payments under the DTI's Low Pension Award benefit package. Work is underway to trace other eligible individuals whose contact details were not available and this is due to be completed by July 2004.

15.16 The triennial valuation of the MPS reported a deficit, following the decline in world stock markets. However the value of members' pensions has been protected under the Government Guarantee of Benefits agreed at the time of privatisation.

15.17 A package of measures has been put in place to enhance the service that the Coal Authority provides on the location of former mineshafts in relation to individual properties. A new, reduced royalty regime has been agreed for coal mined in the UK.

15.18 The Dismissed Miners Compensation Scheme has provided pension enhancements for 140 miners dismissed by the BCC during the 1984-85 strike and not subsequently re-employed by the Corporation and who had not engaged in serious acts of violence or activity that seriously threatened the safety of others.

15.19 The Coal Industry Social Welfare Organisation[5] (CISWO) was the former social welfare arm of the BCC and is now a charitable trust. A £1.4m package of funding has been provided to help CISWO to continue to provide important welfare services in the coalfields areas over the next 10 years.

Nuclear liabilities

NUCLEAR DECOMMISSIONING AUTHORITY

15.20 The NDA will be a new public body charged with providing strategic direction to the management of the decommissioning and clean up programme at public sector civil nuclear sites. It will work in partnership with the site managers and licensees – at the outset UKAEA and BNFL – and the safety, security and environmental regulators to achieve the most cost effective, efficient and safe means of nuclear clean up. It will also look to develop a strong supply chain and a skills base capable of sustaining the clean up programme over the long timescale required. Current estimates put the discounted cost of the clean up programme at some £25bn.

15.21 The setting up of the NDA requires primary legislation. In line with the commitment given in the Queen's Speech of 13 November 2002, the draft Nuclear Sites and Radioactive Substances Bill[6] was published on 24 June 2003. The draft Bill set out the functions, powers and duties of the NDA and included provisions for the transfer of assets and liabilities from BNFL to the NDA. Comments submitted on the draft legislation were generally positive and broadly supportive of the Government's proposals. The Trade and Industry Select Committee's Report on the draft Bill also welcomed the Government's proposals. Provisions to establish the NDA were included in the Government's Energy Bill[7], which was introduced in the House of Lords on 27 November 2003.

15.22 A Liabilities Management Unit (LMU) has been set up to prepare the ground for the NDA. The LMU is working with BNFL, UKAEA, and the nuclear regulators to discharge this remit.

UNITED KINGDOM ATOMIC ENERGY AUTHORITY

15.23 The UKAEA is a Non-Departmental Public Body sponsored by the Department. UKAEA's main function is to arrange for the decommissioning of nuclear facilities

5 Full details about CISWO and its activities can be found at www.ciswo.org.uk/
6 Available at www.dti.gov.uk/nuclearcleanup/pdfs/print-05publication.pdf
7 Available at www.parliament.the-stationery-office.co.uk/pa/ld200304/ldbills/002/2004002.pdf

and the environmental restoration of those sites. The estimated cost to the Department of completing this task is £3.7bn (discounted at 6%). The NDA will assume financial responsibility for UKAEA's nuclear clean up liabilities on 1 April 2005.

BRITISH NUCLEAR FUELS PLC

15.24 BNFL[8] is a public limited company, wholly owned by the Government. It provides a full range of nuclear fuel cycle products and services to UK and overseas customers. Its main activities include procurement of uranium; manufacture and supply of new fuel, both uranium and plutonium based; reactor design technology and services; electricity generation; reprocessing of used fuel; worldwide transport of radioactive materials; engineering; waste management and decommissioning. BNFL operates in 16 countries worldwide and employs more than 22,000 people.

15.25 BNFL is managed on a fully commercial basis. During 2002-03 it made a loss before tax of £1,088m on turnover of £2,412m and the company did not pay a dividend to the Government. This compares with a loss of £2,328m on turnover of £2,502m the previous year. The loss resulted from several significant exceptional charges including: updating the nuclear clean up provisions for Hinkley and Bradwell, two Magnox power stations (£415m); providing for loss-making contracts within BNFL Inc (£175m); and writing-down the value of fuel fabrication assets due to the British Energy (BE) restructuring deal (£230m). Other factors contributing to the loss were the exceptionally low UK electricity prices during the year, and planned maintenance outages at Sellafield.

15.26 BNFL's liabilities exceeded its assets by £2,690m at 31 March 2003. Although the company has a net asset deficit for accounting purposes, it continues to trade because of its strong cash position. The NDA, once set up, will take responsibility for most of its liabilities (and therefore remove them from BNFL's balance sheet) addressing the situation.

Figure 15.1: British Nuclear Fuels plc: key financial information (£ million)

	2002–03 Outturn
Profit/(loss) After Tax	(865)
Capital Expenditure	471
Cost of Capital Charge	(94)

BNFL STRATEGY REVIEW

15.27 In July 2003 the Secretary of State announced that the Government and BNFL had agreed to conduct a joint review of BNFL's future strategy. This would take account of the significant developments in BNFL's key businesses, the nuclear industry and the Government's efforts to encourage a competitive clean-up market in the UK since 2001. This review also followed the Government's decision that a flotation of the company after the NDA has been formed should no longer be an option. The conclusions of the Review were published in December 2003[9].

15.28 The main conclusion was that a new BNFL company should be created that will focus on the management of the clean up of nuclear sites in the UK from April 2005, under contract to the NDA. A new parent company will also be created, which will both own the management company and manage those parts of the business not becoming the NDA's responsibility, on behalf of the Government as shareholder.

15.29 In addition, a new Nuclear Science and Technology company would be formed as a subsidiary, and would provide research and technology services on a commercial basis. Other businesses

8 Full details about BNFL and its activities available at www.bnfl.com/
9 Available from www.dti.gov.uk/nuclearcleanup/wn.htm

would be managed to deliver value and in a way that limits and controls risk to the UK taxpayer. The Government is currently working closely with BNFL to implement the Review conclusions.

SHIPBUILDING LIABILITIES

15.30 British Shipbuilders (BS) exists, under statute, as a public corporation responsible for commitments and liabilities arising from its former manufacturing activities. Its only remaining assets are in cash and its primary remaining liability is in respect of employer liability. Management of the Corporation's affairs is undertaken within the Department, but BS remains a separate entity. The Board has continued efforts to ensure its cash resources are managed to best effect (notably through a Commutation Agreement on insured claims) in order to ensure that valid claims are met. The Board also monitors closely the corporation's exposure on health claims and the efficiency of claims handling.

STEEL LIABILITIES

15.31 The Iron and Steel Employees Re-adaptation Benefits Scheme (ISERBS) is still on course for the last tranche of eligible workers to be made redundant in 2004-05, although those made redundant in March 2005 will probably receive payment in 2005-06. Approximately £32,232,000 has been paid to 13,000 redundant steelworkers who qualified for ISERBS between October 2001 and 17 February 2004.

Postal services

15.32 In May 2003, the DTI secured state aid clearance for a £2bn package of support for the post office network, including rural post offices. The Department has developed, and is now implementing a £1.15bn working capital loan facility for Post Office Ltd. The first of several drawdowns was made on 1 December 2003.

15.33 Royal Mail's half-year results to September 2003 showed a small profit before tax of £3m. This compares to a loss before tax in the same period last year of £542m. The profit on operations in the letters business in the first half of the year was £161m, but a 1p rise in basic first and second class postage in May was the prime driver behind this. The business' improved performance is encouraging, but the current year is crucial for the company's future. Royal Mail has not yet implemented key operational changes in most of the letters business, which are a necessary and major contributor to Royal Mail achieving its renewal plan targets and sustaining profitability.

15.34 The Department continues to provide funds to support Post Office Ltd's restructuring of the urban post office network.

Figure 15.2: Royal Mail Financial Targets 2003 (£ million)

		Financial Targets	Outturn
2002–03			
	Group profit target[10]	(318)	(197)[11]
2003–04			
	Group profit target	(42)[12]	Available Summer 2004

Figure 15.3: Royal Mail expenditure[13] (£ million)

	2002–03 Outturn
Profit/(loss)[14]	(197)
Capital Expenditure	192
Cost of capital charge	167[15]

10 Up to 2001-02, Royal Mail had had a dividend target as well. However, the Government did not take a dividend for 2001-02 and does not expect to do so for the 3 years of the current strategic plan. Royal Mail is going through a period of significant restructuring.
11 This is the underlying loss before exceptional items, pensions benefit/charge and share of profit/(loss in associates and joint ventures (including non-exceptional impairment of goodwill).
12 This is the target in the original interim strategic plan.
13 Profit/Loss, Capital Expenditure and Cost of Capital Charge forecasts for forward years are commercially confidential, and are shown for 2002-03 only.
14 This is the underlying loss before exceptional items, pensions benefit/charge and share of profit/(loss) in associates and joint ventures (including non-exceptional impairment of goodwill).
15 Based on net assets of £2,088m and using a standard HMT rate of 8% of net assets

Figure 15.4: Expenditure on Assets and Liabilities (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Coal Authority	**20.7**	**25.4**	**26.5**	**27.2**	**26.7**
Ex-employee liabilities of British Coal Corporation and other liabilities transferred from British Coal	**-241.4**	**944.2**	**1,609.7**	**80.2**	**55.5**
of which:					
Health claims and associated expenditure	**-408.5**	**860.4**	**1,620.3**	**72.2**	**48.5**
Movement in Provision	298.9	288.1	195.0	227.5	166.4
Increase/(decrease) in Provision	-628.9	572.4	1,585.3	0.0	0.0
Cost of Capital[a]	-78.5	0.0	-160.0	-155.3	-117.9
Cash expenditure (excluded from resource cost)	*621.5*	*860.2*	*850.0*	*1,247.1*	*1,156.9*
Concessionary fuel and associated expenditure	**157.2**	**83.4**	**-11.0**	**7.6**	**6.6**
Movement in Provision	193.3	37.5	22.9	20.0	17.9
Increase/(decrease) in Provision	15.1	70.8	-20.0	0.0	0.0
Cost of Capital[a]	-51.2	-24.9	-13.9	-12.4	-11.3
Cash expenditure (excluded from resource cost)	*67.2*	*51.0*	*52.3*	*51.5*	*46.0*
Coal Operating Subsidy	**9.9**	**0.4**	**0.4**	**0.4**	**0.4**
Movement in Provision	3.2	0.4	0.4	0.4	0.4
Increase/(decrease) in Provision	9.6				
Cost of Capital	-2.9				
Cash expenditure (excluded from resource cost)	*62.2*				
British Coal Corporation external finance	**-0.1**	**0.6**	**0.3**	**0.0**	**0.0**
Movement in Provision	0.0	0.0		0.0	0.0
Increase/(decrease) in Provision	0.0	0.0	0.0	0.0	0.0
Cost of Capital	-0.1	0.6	0.3	0.0	0.0
Cash expenditure (excluded from resource cost)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Coal Privatisation – indemnities	**8.0**	**-6.8**	**0.0**	**0.0**	**0.0**
Movement in Provision	0.0	0.5			
Increase/(decrease) in Provision	10.0	-6.8			
Cost of Capital	-2.0	-0.5			
Cash expenditure (excluded from resource cost)	*0.7*	*8.2*			
Coal Privatisation – Avenue Cokeworks	**6.4**	**-17.7**	**0.0**	**0.0**	**0.0**
Movement in Provision	0.0	4.0			
Increase/(decrease) in Provision	6.8	-20.0			
Cost of Capital	-0.4	-1.7			
Cash expenditure (excluded from resource cost)	*0.0*	*10.0*			
Managing nuclear liabilities	**612.9**	**228.9**	**1,400.1**	**99.9**	**99.7**
of which:					
UKAEA Decommissioning	**610.5**	**230.9**	**1,393.7**	**98.9**	**98.7**
Movement in Provision	478.5	299.3	1,551.6	267.9	266.1
Increase/(decrease) in Provision	297.6	148.3			
Cost of Capital	-165.6	-216.7	-157.9	-169.0	-167.4
Cash expenditure (excluded from resource cost)	*245.7*	*277.4*	*311.7*	*291.5*	*292.5*
UKAEA Other	**2.4**	**-2.0**	**6.4**	**1.0**	**1.0**
Movement in Provision	2.8	4.8	7.9	2.5	2.3
Increase/(decrease) in Provision	3.3	-3.4			
Cost of Capital	-3.7	-3.4	-1.5	-1.5	-1.3
Cash expenditure (excluded from resource cost)	*9.8*	*6.4*	*7.3*	*7.7*	*7.7*
BNFL/Magnox decommissioning	**2,364.5**	**116.6**	**2,495.0**	**165.9**	**176.2**
Movement in Provision	2,536.0	354.6	2,724.3	417.5	442.9
Increase/(decrease) in Provision	-6.2				
Cost of Capital	-165.3	-238.0	-229.3	-251.6	-266.7
Cash expenditure (excluded from resource cost)	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

a Includes Cost of Capital charge on associated assets

16 NUCLEAR SECURITY AND EXPORT CONTROL

Introduction
Plans for 2004-05
Achievements in 2003-04
Export Controls
Nuclear Safety, Security and Third Party Liability
Civil Nuclear Security
The Former Soviet Union Nuclear Legacy

Introduction

The challenge for the Department is to "ensure nuclear security and safety and effective and efficient DTI contribution to preventing proliferation of arms and other strategic goods".

16.1 The DTI's role in the development of the UK's nuclear industry is a varied one, encompassing industry ownership and supervision and regulatory activities to protect the public and international safety as well as providing technical assistance to the former Soviet Union and Eastern European countries.

16.2 The UK's strategic export controls are based on national and international commitments concerning transfers of conventional weapons, missiles, chemical and biological weapons and nuclear-related goods and technology, and components thereof. The commitments are enshrined in secondary legislation in two control lists that are updated periodically to reflect changes in these regimes. The UK also controls goods which are not on the dual-use list but which may be used in connection with a Weapons of Mass Destruction (WMD) programme. Controlled goods may not be exported, except with a licence issued by the Department, that works with OGDs, particularly FCO, MoD and DfID, in issuing or refusing them.

Plans for 2004-05

16.3 The DTI will continue to work to prevent countries of concern and groups gaining access to UK originated technology or materials concerned with weapons of mass destruction, and to protect nuclear materials and civil nuclear sites. The current UK export control legislation dates from 1939 and will be replaced by the Export Control Act 2002[1], which, with associated secondary legislation will be brought into force by May 2004. The more comprehensive scope of this new legislation will make export controls more effective and an awareness campaign will pave the way for efficient implementation.

16.4 The Department is accountable for nuclear safety and, with ongoing effective liaison with the Health and Safety Executive[2] and its Nuclear Installations Inspectorate, will continue the appropriate development of the international nuclear framework for nuclear safety, and ensure that the UK is prepared to deal with the off-site effects of an emergency affecting a nuclear site. The Civil Nuclear Constabulary will be established, as a stand-alone force.

1 Full text available at www.hmso.gov.uk/acts/acts2002/20020028.htm
2 Further details about the HSE and its work available at www.hse.gov.uk/

16.5 Subject to the conditions of the proposed solvent restructuring of British Energy, the Department will continue to support the restructuring. It will also maintain its contingency arrangements in case the restructuring fails for any reason to ensure its overriding priorities of nuclear safety and security of electricity supplies are met.

16.6 The Department will continue to discharge its commitment to the nuclear element of the G8 global partnership on reducing the threat from weapons and materials of mass destruction, through the nuclear submarine dismantlement, making spent nuclear fuel safe and secure, the disposition of fissile materials and deployment of weapons scientists of the former Soviet Union.

Achievements in 2003-04

Export controls

16.7 The Department has continued to administer export controls effectively and efficiently so as to minimise the burden on exporters, and leads on two associated cross-Government projects, JEWEL and SCOPE. The export performance improvement project, JEWEL (Joined-Up and more Efficient Working on Export Licensing), which is a joint project with FCO, MoD and DfID, aims to create a "single export licensing community" across Government in order to facilitate joined-up working. The Whitehall-wide project, SCOPE, is concerned with the electronic sharing of intelligence.

Nuclear safety, security and third party liability

16.8 Work has continued with nuclear operators to further reduce the vulnerability of nuclear installations to malicious attack. The Director of Civil Nuclear Security regulates security at nuclear installations, and his second annual report was published on 25 June 2003[3].

16.9 The Energy Bill[4] that was introduced into the House of Lords in November 2003, contains the necessary clauses to establish a Civil Nuclear Constabulary as the successor to the United Kingdom Atomic Energy Authority (UKAEA) Constabulary.

16.10 The cycle of testing off-site civil nuclear emergency response arrangements continued with a programme of eight exercises at sites round the country.

BRITISH ENERGY

16.11 The Government continued to support the proposed restructuring of British Energy[5] (BE) in accordance with its overriding priorities of nuclear safety and the security of electricity supplies, and on the terms set out by the Secretary of State on 28 November 2002.

HIGHLIGHTS OF 2003–04

- The signing of a legal Agreement with the Russian Federation covering taxation, liability and access issues associated with major projects in Russia
- The Electricity Miscellaneous Provisions Act received Royal Assent and will enable the Government to carry forward its part of the proposed restructuring or, if it fails, to acquire BE or its assets
- Cogent Sector Skills Council, which brings together employers and training providers to address skills, including nuclear skills, received its licence

3 Available at www.dti.gov.uk/energy/nuclear/safety/dcns_report2.pdf
4 Full text available at www.parliament.the-stationery-office.co.uk/pa/ld200304/ldbills/002/2004002.htm
5 Further details can be found at www.british-energy.com/

16.12 Following BE's announcement on 14 February 2003 that it had reached agreement in principle with its financial creditors on its restructuring plan, the Government made a state aids submission to the European Commission on 7 March 2003. The Commission announced on 23 July 2003 that it was opening a formal investigation procedure into the Government's aid to BE. The investigation, which is entirely normal in major restructuring aid cases, is continuing.

16.13 The Electricity Miscellaneous Provisions Act[6], which will enable the Government to carry forward its part of the proposed restructuring or, if it fails, to acquire BE or its assets, received Royal Assent on 8 May 2003.

16.14 On 1 October 2003, BE announced that it had formally agreed with creditors the terms of its proposed restructuring that had been announced on 28 November 2002. Accordingly, the Government confirmed its support for the plan by entering into agreements that reflect the in-principle commitments announced by the Secretary of State on that date. The company's announcement was a significant step forward by BE towards the implementation of its restructuring plan, however, there remain significant milestones ahead. The restructuring will only be implemented once all the conditions of the formal agreements to it, including state aids approval, are met. The Government remains well prepared for administration in case the proposed restructuring fails for any reason.

16.15 Subject to the conditions of the proposed restructuring, the Government's Credit Facility Agreement remains available to BE with the maximum amount available at the time of writing being £200m.

Civil nuclear security

16.16 The Office for Civil Nuclear Security (OCNS) is the security regulator for the UK's civil nuclear industry and has been closely involved in government-wide discussions and arrangements to counter the sustained high level of terrorist threat. OCNS contributed to the newly formed Joint Terrorism Analysis Centre and successfully introduced new Regulations for the security of nuclear and radioactive materials at licensed nuclear sites and for the transport of nuclear materials[7]. OCNS inspectors worked closely with the civil nuclear industry to ensure a smooth transition to the new arrangements, giving priority to newly regulated organisations and an internal review of working practices associated with personnel security checks (vetting) will lead to significant efficiency improvements and space saving.

16.17 Collaboration with European nuclear security regulators has been strengthened and agreement reached with the USA Nuclear Regulator for the exchange of sensitive nuclear security information. OCNS has contributed significantly to the International Atomic Energy Agency[8] (IAEA) nuclear security programme at the policy level, through the development of guidance on the security of nuclear materials and radioactive sources, and by providing professional advice to its Member States through missions and workshops.

The Former Soviet Union nuclear legacy

16.18 The DTI manages, on behalf of the UK Government, a £32.5m pa programme to address nuclear cold war legacy issues in the Former Soviet Union (FSU). The programme is part of a G8 initiative to reduce the global threat posed by the spread of weapons and materials of

6 Full text available at www.hmso.gov.uk/acts/acts2003/20030009.htm
7 *"The Nuclear Industries Security Regulations 2003"* SI No.403, available at www.hmso.gov.uk/si/si2003/20030403.htm
8 Further information about the IAEA and its activities can be found at www.iaea.or.at/

mass destruction and the Prime Minister has committed up to $750m to this work over the next ten years.

16.19 A robust project management structure for this programme to drive forward projects and manage risk has now been established along with a comprehensive project portfolio covering seven FSU countries – Russia, Ukraine, Kazakhstan, Lithuania, Bulgaria, Slovakia and Armenia.

16.20 This work includes dismantling two Russian nuclear submarines, constructing a spent nuclear fuel storage facility at Murmansk, the safe and irreversible decommissioning of a reactor in Kazakhstan designed to produce plutonium for nuclear weapons, the construction of the Chernobyl Shelter, assisting in the safe removal of some 20,000 spent nuclear fuel assemblies at a former navy base in north-west Russia, as well as enhancing nuclear safety across the FSU and assisting with the creation of non weapons related employment in nuclear closed cities. Further projects are currently under negotiation with the Russian Federation and are expected to get underway later this year.

16.21 A detailed report reviewing progress since April 2001 was published in December 2003[9]. This document also sets out the long-term priorities for the programme and lessons learned in establishing the programme. Further reports will be published annually and will be available from the DTI's website.

Figure 16.1: Expenditure on Nuclear Security and Export Control (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Total	**27.6**	**25.7**	**54.9**	**55.8**	**56.9**
of which:					
Nuclear Safety and Security	**15.7**	**10.6**	**34.8**	**34.8**	**34.8**
of which:					
Nuclear Support to Former Soviet Union	13.2	8.2	32.2	32.2	32.2
Civil Nuclear Emergency Planning	2.1	2.1	2.2	2.2	2.2
Nuclear Energy Agency	0.4	0.3	0.4	0.4	0.4
Non Proliferation	**11.9**	**15.1**	**20.1**	**21.0**	**22.1**
of which:					
International Atomic Energy Authority (IAEA)	7.9	10.4	13.6	14.1	15.8
Organisation for the Prohibition of Chemical Weapons (OPCW)	2.0	2.7	3.7	3.3	3.7
Organisation for the Prohibition of Biological Weapons (OPBW)	0	0	0.5	0	0
Nuclear Safeguards	1.0	1.5	1.8	2.8	1.8
Export Licensing Via Internet Service (ELVIS)	1.0	0.5	0.5	0.8	0.8

9 Available at www.dti.gov.uk/energy/nuclear/fsu

17 THE EXECUTIVE AGENCIES

The Small Business Service
Companies House
The Patent Office
The National Weights and Measures Laboratory
The Radiocommunications Agency
The Insolvency Service
The Employment Tribunals Service

The Small Business Service

17.1 The Small Business Service[1] (SBS) is included in the Department's gross administration cost provision. It was launched as an executive agency on 1 April 2000. In December 2002 the SBS published *'Small Business and Government – The Way Forward'*[2] which set out a new policy framework for a Government-wide approach to helping small businesses. It identified seven strategic themes as key drivers for economic growth, improved productivity and a wider involvement in enterprise for all.

17.2 During 2003-04, SBS has worked closely with OGDs and partners at national, regional and local level to develop these themes into seven national strategies and identify a package of practical measures to support small business and enterprise. This work led to the publication of *'A Government action plan for small business – Making the UK the best place in the world to start and grow a business'*[3] – the first ever cross-Government action plan for small business.

Figure 17.1: SBS Targets for 2002–03

Targets	Outturn for 2002–03
Publish by October 2002 a strategy for the SBS for the years 2003-04 to 2005-06.	"Small Business and Government – the way forward" was published on the SBS website[1] in December 2002.
10% increase in the number of people aged under 30 years participating in Enterprise Insight, Young Enterprise and STEP.	A 10% increase in STEP placements in summer 2002 was achieved. Data for Enterprise Insight and Young Enterprise will be available in Q4.
Implement the small firms impact test across Government by March 2003.	The enhanced Small Firms Impact Test is an integral part of the revised Cabinet Office guidance "Better Policy Making and Regulatory Impact Assessment"[4], launched in January 2003. SBS will be working with the Cabinet Office on promoting the revised guidance and Small Firms Impact Test to Whitehall policy makers to raise awareness by March 2003.

1 Further details about the SBS and its activities, including its Annual Report, can be found at: www.sbs.gov.uk/
2 Full text available at www.sbs.gov.uk/content/whoweare/sbsstrategyfinalversion.pdf
3 Full text available at www.sbs.gov.uk/content/7-strategies/ActionPlan.summary.pdf
4 Available from www.cabinet-office.gov.uk/regulation/scrutiny/ria-guidance.pdf

Figure 17.1: SBS Targets for 2002–03

Targets	Outturn for 2002–03
Reduce the gap in business start-up rates between the most and least disadvantaged local authority wards by 1 percentage point a year.	Target on course: between 2000 and 2001 the gap in VAT registration rates in the 20% most and least deprived wards narrowed by just over 1 percentage point.
By end 2002-03, establish and implement an accreditation system for Community Development Finance Institutions to enable businesses to benefit from the community investment tax credit in the 2002 Budget.	On course: receipt of State Aids clearance from the European Commission in October 2002 cleared the way for the preparation of Regulations and other material setting out detailed operational procedures.
Launch the "Bridges" Community Development Venture Fund (formerly known as the Community Development Venture Fund) by June 2002.	SBS launched the "Bridges" Community Development Venture Fund in May 2002.
Publish an action plan in response to consultation on a national strategy for start-ups by October 2002.	Start-up strategy and action plan put in draft to cross-departmental start-up group in November 2003. Start-up strategy to be published in late January/early February 2004.
Increase the market penetration and overall customer satisfaction level of the Business Link Operator network over 2001-02 levels.	Market penetration and customer satisfaction have improved in 2002-03 over 2001-02 levels. Market penetration in 2001-02 was 13.7% of Inter-Departmental Business Register, and at the mid point of 2002-03 it was 8.6% (compared with 7.0% at the same point in 2001-02). Customer satisfaction was 82% in the period ending September 2002.
Increase small business access to finance, through:	
▼ **the six remaining RVCFs to be launched by 31 December 2002;**	Four of the remaining six RVCFs are now operational. The West Midlands and East of England Funds will be operational by April 2003.
▼ **six Investment Readiness demonstration projects to be underway by September 2002;**	Achieved
▼ **Early Growth funds to invest in 200 small businesses by March 2003.**	Contractual and State Aid difficulties delayed the launch of Early Growth Funds. The first fund was launched in December 2002 and two more are expected to be launched by March 2003.
Achieve recognition as an Investor in People in 2002-03.	The Executive Team agreed to postpone recognition until the strategic review had been implemented.
Improve on our prompt payment performance from 2001-02 to achieve payment of 100% of valid invoices within 30 days.	98%

Figure 17.2: SBS performance against targets for 2003–04

Targets	Estimated outturn for 2003–04
Work with key Government departments such as DfES, DWP and HMT to build a comprehensive, cross-Government strategy to support an enterprise culture by January 2004.	Action Plan and detailed Implementation Plan agreed with relevant OGDs (DfES, DWP, HMT, IR and the HO) Terms of Reference agreed for review of 'Routes off Benefits into Self-Employment'.
Ensure that "Enterprise Shows", bringing together Government and private sector service providers to help those thinking of starting a business, are held in at least five regions by January 2004.	Progress has been made with several RDAs, and proposals have now been agreed in two cases (ONE and SEEDA). Events will now take place in at least three RDA regions during Q4 2003-04.
Review the available research evidence on the factors that determine a small business's capability to grow, map the interdependence of these factors and, by March 2004, publish a "capabilities for growth" strategy.	Research evidence reviewed. Strategy for building the capability for SME growth to be published on 8 January 2004 as part of the Government strategy for SMEs.
Implement a new grant for research and development (the successor to Smart), support 700 projects under the new scheme, pilot a new grant for "innovation capability" and reposition, and increase the profile of the Smart Achievements Awards by March 2004.	The target of supporting 700 new R&D projects will be achieved although these will be a mixture of Smart and Grant for R&D projects. The number of projects supported to end December 2003 was 200 Grant for R&D projects and just under 500 Smart projects.
Deliver the current range of interventions to improve the availability of small business finance, including rolling out the Early Growth Funding programme and the RVCFs by March 2004.	Three Early Growth Funds, including one national technology project, are now investing, with a further three on track to be launched by end of February 2004. At the end of December 2003, £17m had been invested in 70 small companies through the RVCFs.
Launch Phoenix Development Fund, "Building on the Best" projects by December 2003. **Reduce the gap between VAT registrations in the 20% most deprived local authority wards and the 20% least deprived wards by 1%**	Results of second, and final, bidding round announced in December 2003. The latest data available are for 2001 (published November 2002). Between 2000 and 2001, the gap in VAT registration rates in the 20% most and least deprived wards narrowed by just over 1% point.
Roll out in three stages by March 2004 the new DTI business support portfolio using BL (both the website and the face to face service) as the primary means by which businesses access DTI's products and services. **Increase the market penetration of BL from the current rolling average of 16% to 22% and the customer satisfaction rate of those using BL from 82% to 87% by March 2004.**	The e-Services element is the Business Support Directory, which was launched on schedule in April 2003 and has now been expanded, as planned, from 140 to some 550 schemes covering virtually all national-level and Devolved Administration schemes. It will be further extended by April 2004 to cover regional and some local schemes. At the end of Q2, market penetration was 18.5%, well on the way towards the 22% agency target for the full year. The customer satisfaction results reported were 85.4% in Q2, an increase of 1% over the last survey period in Q1.

Figure 17.2: SBS performance against targets for 2003–04 – *continued*

Targets	Estimated outturn for 2003–04
Evaluate the three RDA-led business support pilots in the North West, West Midlands, and East Midlands, providing an initial comparison of participating and non-participating regions by January 2004.	The RDA–led Business Support pilots are being independently evaluated in three stages. ECOTEC submitted their Stage 1 report in September 2003 and finalised it in December 2003. The report combines an overview of each of the pilots with an overall look at the common elements and the potential areas for common measurement of progress in the future. Stage 2 of the evaluation begins in January 2004 and is due to report in March 2004. Stage 2 is more qualitative-based assessment of progress to date. Stage 3 is scheduled for autumn 2004 and will be an early assessment of the impact of the pilots.
Publish and promote a *'No-Nonsense Guide to Government rules and regulations for setting up your business'* in print and via the web by April 2003.	100,000 copies distributed.
Draw up, with other departments, an action plan to deliver significant improvements in Government's performance in relation to the regulatory environment for small business for publication by November 2003.	Cross-cutting issues in small firms Action Plan. Detailed reform measures identified in the Regulatory Reform Action Plan, published in December 2003.
Work towards securing formal Investors in People recognition by June 2004.	As part of the Human Resources (HR) Strategy, work has progressed in developing a capability framework to provide a firm base for developing the organisation through developing the people. This will support the business development and the planning and evaluation of learning across the organisation.

Figure 17.3: SBS financial performance (£ million)

	2002-03 Outturn	2003-04 Working Provision	2004-05 Plans	2005-06 Plans
Administration costs	17.6	18.7	18.7	18.7
Programme	389.3	387.8	350.0	370.0
Capital	34.0	17.0	17.0	17.0

Companies House

17.3 Companies House[5] (CH) is a Trading Fund and so its expenditure does not feature on the Department's Request for Resources. It is required to service its debt and pay a dividend, and its administration costs are entirely covered by fee income.

17.4 CH is continuing to develop, modernise and broaden the way information is received, held and disseminated, including working with the SBS in the development of a website portal[6]. The popularity of CH's online services has resulted in more than 60% of new companies now being incorporated electronically and ten of its most popular forms can now be completed and filed via its website, which has recently been redesigned.

Figure 17.4: Companies House Performance Against Targets

		2000-01	2001-02	2002-03	2003-04 Estimate
Make statutory documents available for public inspection within maximum five days of receipt in CH.	Target	99%	99%	99%	Internal target
	Outturn	99%	100%	100%	Internal target
Achieve, on average, monthly compliance rates for accounts submitted.	Target	95%	95%	95%	95%
	Outturn	96%	95%	96%	96%
Ensure that fiche provided to customers is error free.	Target	98%	98%	Discontinued	
	Outturn	98%	98%	Discontinued	
Ensure that current processing is error free.	Target	96%	96%	96%	96%
	Outturn	96%	96%	96%	98%
Payment of Bills within 30 days or other agreed terms.	Target	100%	100%	100%	100%
	Outturn	98%	99.6%	99.6%	99.8%
Reduce real unit costs of processing/document registration (compared with the previous year).	Target	3%	3%	3%	3%
	Outturn	7%	4%	3%	3%
Achieve, taking one year with another, an average annual rate of return (= operating surplus/average net assets x 100%).	Target	6%	6%	6%	6%
	Outturn	9%	9%	8%	8%
Reply to all Chief Executive cases from MPs within 10 days of receipt.	Target	100%	100%	100%	100%
	Outturn	100%	100%	100%	100%
Respond to complaints within the target period.	Target	90%	90%	96%	97%
	Outturn	96%	96%	98%	97%
Service availability on Companies House Direct.	Target	N/A	98%	98%	98%
	Outturn	N/A	98%	98%	98%
Service availability on WebCHeck (new target 2002-03).	Target	N/A	N/A	98%	98%
	Outturn	N/A	N/A	97%	98%
Image Quality (new target in 2002-03).	Target	N/A	N/A	98%	98%
	Outturn	N/A	N/A	94%	97%
Customer Satisfaction.	Target	N/A	75%	>80%	>80%
	Outturn	N/A	82%	80%	85%

5 Full details about CH and its activities can be found at www.companieshouse.gov.uk
6 www.businesslink.gov.uk

Figure 17.5: Companies House Financial Performance (£ million)

	2001–02 Outturn	2002–03 Outturn	2003–04 Estimate	2004–05 Plans	2005–06 Plans
Income	44.9	48.4	52.0	Still to be determined. Subject to outcome of Pricing Review.	
Expenditure	44.5*	43.6*	49.7*		As above
Surplus/(deficit)	0.4	4.8	2.3		As above

* Expenditure has been adjusted to take account of net interest payable/receivable, and also the dividend on Public Dividend Capital.

The Patent Office

17.5 The Patent Office[7] is a Trading Fund and as such its expenditure does not feature on the Department's Request for Resources. It is required to service its debt and pay a dividend, and its annual administration costs are entirely covered by fee income. The Patent Office is working to an efficiency target of increasing output relative to expenditure by an average of 2% per year over a rolling three-year period. It is also working towards challenging customer service standards and demanding Ministerial targets.

17.6 In addition to those listed in the previous table the following new Patent Office targets were introduced or amended in 2001-02 to 2003-04:

Figure 17.6: Patent Office Performance Against Targets

	TARGET:	2000-01	2001-02	2002-03	2003-04 Estimate
To pay bills within 30 days of receipt of goods or services or a valid invoice, whichever is the later.	100%	99.4	98.4%	98.8%	98.5%[a]
To reply within 10 working days to all MPs' letters delegated to the Chief Executive.	100%	100%	100%	100%	100%[a]
To increase output in relation to current expenditure by an average of at least 2% per annum over the period 1998-99 to 2002-03.	2%	3.4%	1.7%	4.0%	2.4%[a,b]
To increase performance year on year so that 90% of search reports are issued within six months of request by 2005-06. Target milestones are 2003-04 75%; 2004-05 80%; 2005-06 90%	Target Actual	n/a n/a	90% 71.5%	90% 69.1%[a]	75% 84.8%[a]
To grant 90% of patents within three years of request.	Target Actual	n/a n/a	90% 93.3%	90% 89.5%	90% 91%[a]
To register 90% of designs within nine months of applications.	Target Actual	n/a n/a	90% 92.7%	Discontinued	

7 Full details about the Patent Office and its activities available at www.patent.gov.uk/

Figure 17.6: Patent Office Performance Against Targets – *continued*

	TARGET:	2000-01	2001-02	2002-03	2003-04 Estimate
To register 90% of correctly filed design applications, to which no substantive objections have been raised, within three months of the date of application.	Target Actual	n/a n/a	n/a n/a	90% 95.5%	90% 97%[a]
To register 90% of trade mark class applications, to which no substantive objections are raised or oppositions filed, within nine months of application.	Target Actual	n/a n/a	90% 96.3%	90% 97.7%	Discontinued
To reduce to an average of 39 weeks the time taken to issue a decision in trade marks *inter partes* cases once the case is ready.	Target Actual	n/a n/a	100% 100%	100% 100% (31 weeks)	This target changed[b]
To reduce to an average of 26 weeks the time taken to issue a decision in trade marks *inter partes* cases once the case is ready.	Target Actual	n/a n/a	n/a n/a	n/a n/a	100% 100%[a] (26 weeks)
To publish details of progress towards key milestones in the UK and international policy development in the Annual Report and on our website.	Target Actual	n/a n/a	100% 100%	100% 100%	100% 100%[a]

a Outturn as at 31 December 2003

b This target, previously based on the average results for the five-year period, was changed from 2003-04 to cover an average result over a rolling three-year period. The efficiency gain for 2003-04 alone is forecast at 1.5%.

Figure 17.7: The Patent Office Financial Performance (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Income	50.2	50.2	53.2	56.6
Expenditure*	40.1	44.0	49.4	54.4
Surplus	10.1	6.2	3.8	2.2

* Expenditure is net of interest receivable, and surplus is profit before interest payable and dividend

The National Weights and Measures Laboratory

17.7 The National Weights and Measures Laboratory[8] (NWML) operates under a net running cost regime. It is free to increase expenditure in line with workload provided that it is recovered from receipts. In 2002-03 NWML met both its financial target and its efficiency target. The current set of targets provides a balance of financial, efficiency and customer-focused targets.

17.8 Each planning cycle NWML considers how targets can be tightened and what new targets might be appropriate. As a consequence of a reduction of revenue from the DTI Legal Metrology Programme and other operational areas, NWML has embarked on a strategy of developing new business streams. A more focused approach to marketing activity is taking place. A reorganisation of the agency is well advanced and this will be more business orientated with business team managers given more freedom and responsibility to run their parts of the Agency. An efficiency review has just commenced and a report will be made to the strategy team by the end of June 2004.

Figure 17.8: NWML Performance Against Targets (£ thousand)

TARGET:		2000–01	2001–02	2002–03	2003–04 Estimate
To break even in the Income and Expenditure account. From 2003-04 changed to a three-year cumulative surplus of £42,000 from 2003-04 to 2005-06.	Target	0	0	-310	-35
	Actual	73	85	-90	0
To meet the net RfR target.	Target	102	170	Discontinued	
	Actual	400	100		
Ensure that total overhead costs are less than x% of total costs.	Target (x)	55.0%	55.0%	58.0%	55%
	Actual	53.9%	54.4%	56.3%	55%
Completion of x% calibration jobs within y working days.	Target (x)	95.0%	95.0%	95.0%	95.0%
	Actual	95.2%	96.2%	97.3%	96.0%
	Number of days (y)	18	18[a]	18	18
Completion of x% European type approvals jobs in y weeks. From 2003-04 this has been extended to all type approval jobs.	Target (x)	90%	95%	95%	90%
	Actual	95%	100%	97%	100%
	Number of weeks (y)	10	10	10	10
Achieve an average completion time of x weeks or better for European type approvals.	Target (x)	7	6	6	5
	Actual	5.4	4.4	2.9	4
To meet x% milestones by their due date in the work programme agreed between the NMSPU[c] and NWML.	Target (x)	70%	70%	72%[b]	80%
	Actual	75.3%	75.8%	80%	80%
Achieve a customer rating of x% or more for NWML's provision of services.	Target (x)	80%	95%	95%[d]	95%
	Actual	95%	95%	95.9%	95%
To increase non-DTI income by x%	Target (x)	15%	7.5%	Discontinued	
	Actual	1.5%	-16%		

8 Full details about the NWML and its activities can be found at www.nwml.gov.uk/

Figure 17.8: NWML performance against targets (£ thousand) – *continued*

TARGET:		2000–01	2001–02	2002–03	2003–04 Estimate
In respect of UK approvals (new patterns only) to achieve an average time per job of x weeks.	Target Actual	n/a	n/a	n/a	7 7
In respect of approved verification, to complete the evaluation of the application and supporting documentation within 30 days of receipt for at least x% of applications.	Target Actual	n/a	n/a	n/a	95% 95%
To achieve £566,000 worth of new external income during the period 2002-03 to 2005-06. In 2002-03 £24,400 was achieved and the estimate for 2003-04 is £56,000.					

a Target extended to include average completion time of 14 days
b Target refers to those scheduled for year one
c National Measurement System Policy Unit
d Target tightened to reflect achievement in previous year

Figure 17.9: NWML Financial Performance (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Income	3.2	3.3	3.4	3.4
Expenditure	3.3	3.3	3.4	3.5
Net cost of operations	-0.1	0	0	-0.1

The Radiocommunications Agency

17.9 The Radiocommunications Agency (RA) merged with four other regulators to become Ofcom[9] on 29 December 2003. Prior to this, RA was subject to net running costs control and was included in the Department's Request for Resources, but was able to increase expenditure in line with workload provided that this was covered by receipts. The following tables present the RA's performance against targets and financial outturn to 28 December 2003. In the case of the latter, this should be viewed as an initial outturn ahead of the finalisation of the Agency's closing accounts.

9 Full details of Ofcom and its activities can be found at www.ofcom.org.uk/

Figure 17.10: RA Performance Against Targets

	Target	2000-01 (%)	2001-02 (%)	2002-03 (%)	2003-04 (Apr-Dec) Estimate (%)
Process and dispatch documents for applications and amendments to Category A[a] licences	100% in 5 days[d] (Apr – Jun)	99	98	100	100
	100% in 7 days[e] (Jul – Dec)		New target		100
Process and dispatch documents for applications and amendments to Category B[b] licences within 15 days (new licences or variations to licences); the remainder to be processed within 25 working days, or an explanation to be given to the applicant	90% in 15 days[d]	100	99	99	99
	100% in 25 days[d] (Apr – Jun)		99	100	100
	90% in 21 days[e]		New target		92
	100% in 42 days[e] (Jul – Dec)		New target		100
Process and dispatch documents for applications and amendments to Category C[c] licences within 40 days (new licences or variations to licences); the remainder to be processed within 60 working days, or an explanation to be given to the applicant	90% in 40 days[d]	78	90	92	93
	100% in 60 days[d] (Apr – Jun)	100	100	100	100
	90% in 42 days[e]		New target		92
	100% in 60 days[e] (Jul – Dec)		New target		100
Investigate reports of interference					
Safety of life services	100% in 24 hrs	100	100	100	96
Business services	98% in 5 days	100	99	95	97
	100% in 10 days	100	100	97	98
Domestic TV and radio	98% in 1 month	100	100	99	100
	100% in 2 months			99	100
Formal Letter to Complainants	90% in 10 days	–	99	84	99
	100% in 20 days	–	100	87	99
Respond to correspondence from MPs delegated to Chief Executive by Ministers	100% in 10 days	87	100	70	100
Enquiry point to answer telephone enquiries	95% in 30 secs	96	96	97	97
Prompt payment of invoices	100% in 30 days	100	100	100	100

a Licences which involve no frequency assignment, no site clearance nor international co-ordination
b Licences which involve frequency assignment but no site clearance nor international co-ordination
c Licences which involve frequency assignment with site clearances or international co-ordination
d Days refer to working days
e Days refers to calendar days, reflecting the revisions to licensing targets from July 2003 onwards to comply with the requirements of the EC Authorisation Directive

Figure 17.11: Radiocommunications Agency Financial Performance (£ million)[a]

	2002-03 Outturn	2003-04 Working Provision (Apr – Dec)
Income	138.1	115.7
Expenditure	68.4	58.4
Surplus	69.7	57.3

a Figures are on an accruals basis

The Insolvency Service

17.10 The Insolvency Service[10] (INSS) is included in the Department's gross administration cost provision. The key issues for INSS are the implementation of the insolvency reforms contained in The Enterprise Act 2002 that are scheduled to be in place in 2004. These reforms include the move to a net controlled regime from 2004. The Redundancy Payment Service merged with INSS in 2003-04.

Figure 17.12: The Insolvency Service Performance Against Targets

		2000-01	2001-02	2002-03	2003-04 Estimate
Hold initial meeting of creditors within 12 weeks	Target Outturn	96.0% 97.2%	97.0% 96.8%	97.0% 97.3%	Discontinued
Report to creditors on assets and liabilities within 8 weeks	Target Outturn	97.0% 98.8%	98.0% 97.9%	98.0% 98.4%	Discontinued
Complete case administrations	Target Outturn	25,000 27,035	26,000 26,395	28,500 30,328	26,000 26,000
Number of prosecution reports submitted where there is evidence of criminal behaviour	Indicator Outturn	1,125 1,110	1,110 1,174	1,174 1,097	Discontinued
Number of proceedings brought in the public interest for the disqualification of directors of failed companies	Indicator Outturn	1,497 1,456	1,456 1,575	1,575 1,775	Discontinued
Maintain the unit cost of case administration at 0% in real terms over the period 1999-2002[a]	Achievement	-9.0%	-7.2%	Discontinued	
Contain the unit cost of case administration at +1%[b]	Achievement			2 Year Target	+1%
Reduce the unit cost of investigation by 10% in real terms over the period 1999-2002	Achievement	10.6%	21.0%	Discontinued	
Contain the unit cost of investigating cases at +10%[b]	Achievement			2 Year Target	+10%
Percentage of user satisfaction as measured by the USI	Target Outturn	New	New	New	86% 87%
The average time of concluding disqualification proceedings months	Target Outturn	New	New	New	24 22.3
Percentage of disqualification cases concluded in: 30 months – 85% 24 months – 60%	Achievement	New	New	New	85% 60%
Action invoices for payment within 30 days – 100% 20 days – 97%	Achievement	98.6% New	99% 97.3%	99% 97.6%	98.9% 96.7%
Action Insolvency Service Account payments within 4 days – 98%	Achievement	98.9%	98.7%	98.5%	97.2%
Action redundancy payment claims within 6 weeks	Target Outturn	80% 86%	80% 86%	80% 86%	82% 89%

a The increase in unit cost is attributable to additional running costs of the new IT infrastructure over the original capital purchase projection; an accelerated IT training programme; start up costs for the insolvency qualification and an increase in overhead attributable to case administration as a result of larger than projected reductions in investigation unit cost.

b These increases reflect plans by INSS to invest in information technology and staff resources to prepare for the Enterprise Act 2002. This investment is expected to lead to a net reduction in unit costs over a 5-year period.

10 Full details about The Insolvency Service and its activities available at www.insolvency.gov.uk

Figure 17.13: The Insolvency Service Financial Performance (£ million)

	2002–03 Outturn	2003–04 Working Provision[a]	2004–05 Plans[b]	2005–06 Plans[b]
Income	58.6	60.8[a]	59.1	59.1
Administration Costs	53.7	69.3[a]	1.6[b]	1.6[b]
Programme	17.0	16.4	93.9[b]	96.2[b]
Net Funding	n/a	n/a	34.8[b]	37.1[b]

a Income and Administration costs for 2003-04 have been increased by £8.8m for the merger of Redundancy Payments Service on a full cost recovery basis. Income in 2003-04 has also been reduced for one-off financial charges upon implementation of The Enterprise Act 2002.

b From April 2004 INSS moves onto a net controlled regime when income will be used to cover the costs of expenditure on administration of insolvencies (reclassified as programme). The Department will continue to fund the costs of disqualification work from programme and policy work from administration.

Figure 17.14: Redundancy Payments (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Estimate	2005–06 Estimate
Payments	225.0	253.0	235.0	235.0
Receipts	20.0	24.0	24.0	24.0

The Employment Tribunals Service

17.11 The ETS[11] is a gross cost controlled Agency. The number of applications made to Employment Tribunals remains high and cases are increasing in complexity. Nevertheless, user satisfaction with the quality of service provided has remained very high for the last four years.

11 Full details about the ETS and its activities can be found at www.ets.gov.uk/

Figure 17.15: ETS Performance Against Targets

		2000-01	2001-02	2002-03	2003-04 Estimate
Registered Employment Tribunal applications		130,408	112,227	98,617	120,000
Registered appeals to the Employment Appeals Tribunal (EAT)		1,528	1,432	1,170	1,280
Percentage of single Employment Tribunal cases to a first hearing within 26 weeks of receipt	Target[a]	85%	75%	75%	75%
	Actual	77%	69%	74%	81%
Minimum standard to be achieved by all offices in relation to the above target	Target[a]	75%	65%	65%	65%
	Actual[b]	57%	47%	45%	67%
Percentage of Employment Tribunal decisions issued within 4 weeks of hearing	Target	85%	85%	85%	85%
	Actual	86%	83%	86%	89%
Real terms reduction in administrative unit costs in the Employment Tribunals	Target	5%	5%	3%	3%
	Actual	13%	-11%	-8%	1%
Percentage of Employment Tribunal users satisfied with Agency service	Target	85%	85%	85%	85%
	Actual	95%	95%	95%	95%
Percentage of appeals registered by the EAT for a preliminary hearing which are ready for listing within 6 weeks[c]	Target	90%	90%	90%	–
	Actual	92%	94%	92%	
From 2003-04, percentage of appeals to EAT to a first hearing within 39 weeks of receipt[c]	Target	–	–	–	75%
	Actual				97%

a) Target lowered by 10 percentage points and announced to Parliament on 18 October 2001.
b) Figures indicate the performance of the lowest performing ETS office against the hearing target.
c) A new target for the EAT replaces the old target with effect from 2003-04.

Figure 17.16: ETS Financial Performance (£ million)

	2002–03 Outturn	2003–04 Working Provision	2004–05 Plans	2005–06 Plans
Administration Costs[a]	26.7	27.3	28.7	29.3
Programme Costs[a]	37.2	43.0	43.4	43.6
Capital	2.2	1.3	5.3	3.6

a) Figures are on full resource basis, including Depreciation and Cost of Capital (apportioned/allocated between Administration and Programme as appropriate) and Departmental Overheads.

Section C:

Managing the Department

18 Managing the Department

18 MANAGING THE DEPARTMENT

Introduction
Setting and Delivering Priorities
Marketing Communications
Corporate Strategies and Services
Legal Services

Introduction

18.1 Delivering the Department's Strategy requires a high-performance workplace with a strong focus on delivery. To achieve this, the DTI is committed to transforming and continuously improving its internal processes and services so that they effectively and efficiently meet the needs of their internal customers and support the delivery of the Department's strategic objectives and priorities. How the Department is doing this is summarised below.

Setting and Delivering Priorities

18.2 In September 2003, following extensive analysis, the Department launched the DTI Strategy[1]. It sets out the evidence-based priorities for how the DTI will work towards its ambition of raising UK productivity delivering 'Prosperity for All'. The DTI's work is framed within its strategic objectives to support successful business and enterprise; promote world-class science and innovation; and ensure fair markets.

18.3 These priorities are translated through the Department's business planning into detailed action plans for 2004-07, which set out how the DTI will deliver them and provide a basis for managing performance in delivery during the coming year. These plans are summarised in the DTI Business Plan[2] and in the preceding chapters of this Report.

18.4 **During 2003-04**, the DTI has:

- been putting into practice its new approach to business planning and performance management, which details the key objectives and sets the monitoring and evaluation framework to measure success
- developed a new strategy for the Department, based on a strong evidence base, setting out the key priorities which will help deliver its objectives, ultimately raising UK productivity
- undertaken a review of its corporate governance structure to establish a new framework aimed at improving the transparency and effectiveness of decision making across the Department, as part of its Efficiency Project (see below)
- secured OGC endorsement of a newly created centre of excellence on project and programme management. As part of these arrangements, *projectcentre* provided professional mentoring for project managers in over 40 projects across the DTI.

18.5 **During 2004-05,** the DTI will:

- apply the priorities and principles in the Strategy in delivering the objectives in its Business Plan and in its approach to the

1 The Strategy document and the supporting analysis are available from www.dti.gov.uk/about/strategy2003.html
2 The DTI's business plan for 2004-07 is available from the DTI's website, www.dti.gov.uk/about/businessplan

2004 Spending Review, which will determine the Department's PSA targets and resources for 2005-08

- continue to build and refine its framework for developing the business plan and managing its delivery, including by strengthening engagement with the regions at key stages of the cycle
- continue to strengthen its analytical capabilities and evidence base, including from evaluation and appraisal, and ensure they are effectively used to inform and support strategic and operational decision making
- further embed project-working in DTI policy and delivery activities.

Marketing Communications

18.6 The need to build effective corporate communications and stakeholder relations was a key conclusion of the DTI Reviews. They are the foundations of strong reputation, which is necessary to ensure the Department is able to explain and promote its messages and policies and build effective working relationships and influence with stakeholders.

18.7 **During 2003-04,** the Department has:

- strengthened its corporate identity, removing the plethora of logos and internal identities
- rationalised its use of the web, closing down a number of smaller and out of date websites and improving the quality, currency, effectiveness and brand adherence of all web content

Figure 18.1: Service First Performance

Correspondence and appointments

Dealing with enquiries is an important aspect of the Department's relationship with its customers. Information on DTI's performance in handling correspondence and keeping appointments is below:

	2001-02	2002-03
Letters answered or receiving a holding reply within 15 working days[a]	95%	97%
MPs' letters answered within 15[b] working days[a]	(49%[b])	58%
MPs' letters to Agency Chief Executives answered within 10 working days	97%	85%
Visitors seen within 10 minutes of an appointment time at our offices[a]	99.5%	98.9%

a DTI excluding executive agencies
b10 working days before 1 January 2003

Expenditure on marketing communications

Programme budget holders are responsible for expenditure on advertising and other marketing communications, alongside other items of spending in support of their objectives. In exercising this responsibility, they are advised on the most effective publicity and presentation options by central publicity and media specialists or by local teams of advisers with the necessary skills and experience. The principal focus of marketing activity in 2003-04 was on employment relations, with an estimated £1,742,000 spent on advertising to publicise new parental rights, changes in the national minimum wage and new equality legislation. In addition there is a small centrally held budget for publicity spending. This amounted to £1,423,000 in 2002-03. The working provision for 2003-04 was £1,634,000 and the budget for 2004-05 is £1,652,000. The budget is used largely to fund the publicity requirements of The Queen's Awards Office and corporate DTI presentation requirements.

Private sector sponsorship of Departmental activities

DTI continues to follow strictly the recommendations of the Committee on Standards in Public Life and Cabinet Office guidelines in handling sponsorship arrangements with the private sector. It has incorporated these into its own detailed guidelines, and central advice is available to policy directorates and Agencies where required.

Shell, BP and ABN AMRO provided commercial sponsorship amounting to nearly £50,000 towards a large Russian Energy Conference held at Lancaster House in London on 26 June 2003. No other private sector sponsorship exceeding the reporting threshold of £5,000 for a single event was received by the Department during 2003-04. Private sector sponsorship for UK Trade & Investment activities is covered separately in its Departmental Report.

- begun to make wide use of e-newsletters to inform and involve customers and other stakeholders
- worked to improve its corporate communications, developing a weekly information portal to reduce the number of all-staff emails and an electronic news site, which has increased the immediacy of news (and the DTI's part of it) to the Department
- introduced an internal process offering the Department's people the opportunity to discuss corporate issues at local level, feedback their questions and views and have those questions answered.

18.8 **During 2004-05,** the DTI will continue to work to improve awareness and understanding of its vision, objectives and policies and the cost-effectiveness of its communications as well as to forge stronger partnerships with key stakeholders including OGDs. The Department's plans include:

- launching a transformed *www.dti.gov.uk* website, to improve its navigation and content management and build on the branding work done to date
- further improving internal mechanisms for briefing, communications and feedback, including a relaunched *DTI News* (the Department's internal newspaper)
- co-ordinating marketing strategies more effectively, maximising the coherence and cost effectiveness of communications expenditure, including by programme budget holders
- developing and implementing a programme to strengthen the DTI's relationships across Whitehall and in the EU on key policy issues which

have an impact on the Department's stakeholders: business, consumers, employees and their unions and the science community.

Corporate Strategies and Services

18.9 The Department's Services Group, working closely with the Strategy Unit, takes the lead in setting corporate strategies in areas such as human resources, accommodation and information and financial management and providing the internal services and infrastructure for the DTI's Headquarters (HQ) operations and, where appropriate, its agencies. Between them, Services Group and the Strategy Unit seek to drive up the quality of the Department's leadership, people and skills and organisation and systems, guided by the delivery principles established in the DTI Strategy, customer focus, value for money and continuous improvement.

Leadership

18.10 To be a high performing workplace, the DTI needs strong, accessible leaders who set a clear vision, lead by example and motivate their people. Working towards this, **during 2003-04**, the Department:

- rolled out the *Leadership Development Programme*, initially to Senior Civil Servants, in order to improve leadership skills and behaviours so as to enable the Department to deliver its objectives. Improving leadership at all levels is a Departmental priority
- set in hand implementation of Sir Andrew Turnbull's *Improving Leadership Capacity Initiative*, which aims to make changes to performance management and career management and development throughout the Senior Civil Service (SCS)
- sought to improve its understanding of its customers, with members of its SCS spending a week outside the Department in a company or organisation of their choice.

18.11 **During 2004-05,** the DTI will continue to work to strengthen its leadership at all levels, including by:

- rolling out leadership training and development opportunities for all of its people
- continuing to extend the SCS leadership development programme
- embedding the various strands of the *Improving Leadership Capacity Initiative*.

People and skills

18.12 In line with the DTI's core commitments to reach out, value people and be courageous, the Department is working to develop and maintain the skills, performance, diversity and creativity of its workforce so as to enable it to deliver its business goals.

18.13 **During 2003-04,** the Department:

- agreed a pay and workforce strategy with HMT to make the Department leaner and more highly skilled
- integrated its core commitments – to reach out, value people and be courageous – into its staff appraisal system
- set up a Performance Management Unit to develop and assist with more effective performance management by providing comprehensive support for managers and a range of relevant learning opportunities

Days lost through sickness absence

Target: 6.9 days lost per person year by 2003

Performance: 6.7 in 2002

- developed a training and development plan to fill capability gaps in the priority areas of quality policy, business credibility and economics, leadership, and project management
- facilitated 65 inward and 26 outward secondments in 2003, making a total of 132 inward and 39 outward secondments currently in place, in order to help connect the DTI with its diverse range of customers, bring in new talent and expertise and provide its people with personal development opportunities
- introduced a Voluntary Early Retirement scheme against business criteria in order to make space for bringing in new skills and experience, which will result in some 150 early retirements by June 2004
- developed a three-year diversity strategic plan and delivered various diversity milestones
- met the Investors in People standard and achieved re-accreditation
- negotiated and implemented a new pay and reward system to ensure that people's pay and reward more closely

Diversity

During 2003-04, DTI:

- mounted a Lifting the Barriers Conference, focusing on ethnic minority issues
- set up a business network for diversity contacts
- introduced a toolkit to assist flexible working
- launched a disability@work strategy, including a mentoring programme for its people with disabilities.

Diversity in the SCS

The Department's performance against Cabinet Office targets for the diversity of the SCS is summarised below:

	Target (by 2004-05)	Performance (March 2004)
SCS who are women	35%	33.6%
Top 600 SCS posts occupied by women	25%	32.8%*
SCS from ethnic minority backgrounds	3.2%	4.8%
SCS with disabilities	3%	4.4%

* of relevant posts

Diversity in public appointments[3]

Targets

Women to account for 45-55% of DTI public appointments made during each of 2004, 2005 and 2006.

By 2005, people of black and ethnic origin to account for 8.5% and people with disabilities 5% of DTI public appointments.

Performance	2001	2002	2003
Total number of appointments	2,978	2,951	3,106
Of which			
Women	845 (28.4%)	906 (30.7%)	1,011 (32.5%)
Ethnic minorities	199 (6.7%)	217 (7.3%)	217 (7%)
Disabled people	122 (4%)	129 (4.4%)	135 (4.3%)

reflects the contribution which they make to delivering the Department's objectives.

18.14 **During 2004-05,** the DTI will continue to develop the diversity, creativity and skills of its workforce, including by:

- implementing the pay and workforce strategy, rolling out training and development opportunities for employees to address key skill gaps, managing down the number of people in the Department's HQ and conducting limited external recruitment to meet specific skills needs
- embedding effective performance management throughout the Department
- continuing the development of a strategic and pro-active interchange programme
- continuing to implement the three-year diversity strategic plan and the disability at work strategy, including diversity-proofing training products and monitoring disability awareness
- increasing awareness of EU legislation on sexual orientation and religion
- implementing a programme to raise the skills of those undertaking human resource work throughout the Department.

Organisation and systems

18.15 To deliver its objectives efficiently and effectively the DTI needs the right people in the right places doing the right things. At the same time, the Department is committed to playing its part in the Government's objectives of moving more jobs from central London to the regions, in response to the conclusion of the study being done by Sir Michael Lyons, and raising efficiency so as to release resources for front line delivery.

3 *"Delivering Diversity in Public Appointments 2003"*, Cabinet Office, December 2003, www.publicappointments.gov.uk/publications

18.16 This requires new and different ways of working, behaviours, systems and practices to underpin the DTI's work with its customers, including by making better use of new technologies and space creating more flexibility for both the Department's workforce and its customers.

18.17 **During 2003-04,** the Department:

- introduced HR Business Partners, who work with each DTI Group to drive up people performance throughout the Department and provide strategic HR support; took forward an HR intranet; and prepared to introduce an HR Service Centre
- extended e-HR, for example for staff appraisal processes and to provide a direct employee link to pensions data
- brought together its work on ICT, accommodation, information services and procurement in order to increase efficiency and support and drive new ways of working
- developed a property strategy for the London HQ estate aimed at substantially reducing the number of buildings and area occupied, with the initial aim of reducing from six buildings to four by early 2005-06
- conducted a major pilot in the Energy Group on flexible use of space and new ways of working
- built on the successful implementation, the first by a major Whitehall department, of its new electronic records and document management (ERDM) programme, which is a key part of its preparations for the implementation of the Freedom of Information Act on 1 January 2005. Over one million documents have now been registered electronically
- continued to implement its Electronic Business Strategy[4] with the aim of delivering information, support and regulatory compliance mechanisms more cost effectively and in ways which are easily accessible to and readily used by the DTI's main customer groups: businesses, consumers, employees, science and the media
- completed the upgrade of its financial systems, continued to strengthen financial control functions by recruiting finance professionals and started to centralise invoice processing away from London to reduce costs and improve quality
- increased the understanding and application of risk management across the Department, enabling the DTI to develop a better control environment for delivering its policies, aims and objectives.

18.18 The Department also set up an Efficiency Project, to take a hard look at how the DTI operates and how the delivery principles of customer focus, value for money and continuous improvements could be applied to develop a new more efficient and effective business model for the Department. The Project will feed into the Department's response to the Lyons study and its submission on efficiency and value for money as part of Spending Review 2004.

18.19 **During 2004-05,** the Department will continue to transform and improve its organisation and systems, by starting to implement the conclusions of its Efficiency Project and by:

- implementing *Moves 2*, new e-enabled arrangements for vacancy filling and people deployment

4 www.dti.gov.uk/ebusinessstrategy

The Department is on track to deliver the **Prime Minister's 2005 electronic service delivery target.**

Annex C1 shows the Department's progress in delivering 91 key services electronically: 64 (70%) are enabled now and 77 (85%) will be by the end of 2004.

During 2003-04, for example, the Department launched an online Business Support Directory, the first of the new Business Support Instruments, and the Patent Office introduced electronic submission of trademark renewal applications. Substantial progress was made in preparation for the public launch in 2004-05 of the *businesslink.gov* portal.

Four key services – general correspondence and registration of company mortgage charges at Companies House, some of the Energy Group on-line services and a full e-banking service for insolvency practitioners – are unlikely to be available electronically by 2005 because of the need for legislation, agreement on relevant standards and IT systems changes and re-appraisal of priorities for available funding.

- deepening the HR business partner arrangements, at the same time introducing a model of HR in which enquiries and transactions are dealt with by a service centre backed up by an improved HR Intranet and by Centres of Expertise. Rationalising internal HR services in this way will provide a better service to DTI employees and managers while reducing numbers of people engaged on HR activity
- continuing to extend e-HR to e-enable processes and improve the quality and cost effectiveness of services to employees and managers
- beginning to remodel accommodation in the main London HQ buildings to support flexible working and enable other buildings to be released saving rent.

Legal Services

18.20 DTI's Legal Services Group is the primary source of legal services for Ministers, officials and DTI agencies. These services include the provision of legal advice, the preparation of legislation, investigation, enforcement and litigation, as well as co-ordinating the legislative programme and the UK's efforts on the development of international commercial and private international law. The Group also provides a focal point for legal policy and for obtaining external private sector legal advice where appropriate.

18.21 The Department's policies were well represented in the Government's legislative programme for the **2003-04 Session**. DTI Bills included:

- the **Employment Relations Bill**, which builds on the success of the Employment Relations Act 1999 by, among other things, encouraging partnership at work through information and consultation and improvements to the statutory recognition procedure, strengthening protections for trade union members and individuals exercising their employment rights, and establishing a fund to help unions to modernise
- the **Energy Bill**, which supports the Government's commitment to a sustainable energy policy for the future by establishing a comprehensive legal framework to support renewable energy developments

- the **Company and Community Enterprise Bill**, which aims to improve confidence in companies and financial markets by improving company financial reporting, strengthening the supervision of auditing and powers to investigate alleged company malpractice.

18.22 The Legislative Board, chaired by the Solicitor and Director General Legal Services, played a pivotal role in the prioritisation of this legislative programme and other Government departments are looking to set up similar models.

Annex A:

Core Tables

A1 Total Public Spending
A2 Resource Budget
A3 Capital Budget
A4 Capital Employed
A5 Administration Costs
A6 Staff Numbers

A1 TOTAL PUBLIC SPENDING FOR THE DEPARTMENT OF TRADE AND INDUSTRY

Table 1 Total public spending for the Department of Trade and Industry

£ million	1998–99 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Consumption of resources:								
Science	1,485	1,523	1,618	1,832	1,994	2,421	2,450	2,654
Non-Science	1,503	2,906	4,817	4,454	4,850	4,395	2,299	2,720
UKAEA superannuation funds	253	164	247	201	212	249	245	255
Unallocated Provision						4	96	232
Total resource budget	**3,241**	**4,593**	**6,682**	**6,487**	**7,056**	**7,069**	**5,090**	**5,861**
of which:								
Resource DEL (1)	3,008	3,823	5,860	5,298	3,833	4,818	4,809	5,326
Capital spending:								
Science	25	38	55	63	80	121	167	164
Non-Science	-7	-46	-17	104	266	1,162	450	-136
Unallocated Provision						16	40	42
Total capital budget	**18**	**-8**	**38**	**167**	**346**	**1,299**	**657**	**70**
of which:								
Capital DEL (1)	18	-8	38	166	346	599	157	70
Total public spending (2)	**3,166**	**4,492**	**6,633**	**6,528**	**7,307**	**8,229**	**5,631**	**5,811**

(1) Departmental Expenditure Limits, set as part of the 2002 Spending Review
(2) Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation

Spending by local authorities on functions relevant to the department

Current spending	**191**	**194**	**196**	**221**	**244**	**260**
of which:						
financed by grants from budgets, above	15	10	15	97	68	32
Capital spending	**–**	**1**	**1**	**1**	**1**	**1**
of which:						
financed by grants from budgets, above			33	33	69	1

A2 RESOURCE BUDGET FOR THE DEPARTMENT OF TRADE AND INDUSTRY

Table 2 Resource Budget for the Department of Trade and Industry

£ million Resource spending by activity:	1998-99 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Non-science	**1,503**	**2,906**	**4,817**	**4,454**	**4,850**	**4,395**	**2,299**	**2,720**
of which:								
Commercial Best Practice	250	256	311	333	389	438	386	434
Maximising Potential in the Workplace	184	214	247	286	379	399	403	409
Finance for Investment	131	98	112	158	105	77	82	98
Strengthening Regional Economies	250	232	265	420	340	561	494	544
Knowledge Transfer and Innovation	153	169	139	150	174	177	155	155
Security of Energy Supply	8	8	9	0	7	6	7	7
Sustainability and the Environment	128	57	69	97	25	46	107	142
Free and Fair World Markets	4	32	32	36	37	52	45	49
Consumers and Competition	50	55	58	43	71	74	73	81
Corporate Activity Framework	9	2	2	5	18	(23)	(39)	(49)
Assets and Liabilities	77	1,517	3,270	2,550	2,962	2,160	179	416
Nuclear Security and Export Control	9	17	16	31	29	63	54	57
Activities in Support of all Objectives	250	249	287	345	314	365	353	377
Science	**1,485**	**1,523**	**1,618**	**1,832**	**1,995**	**2,421**	**2,450**	**2,654**
of which:								
Expenditure of Research Councils	1,402	1,429	1,480	1,609	1,670	1,947	1,973	2,174
Departmental Science programmes	83	94	138	223	325	474	477	480
UKAEA Superannuation Funds	**253**	**164**	**247**	**201**	**211**	**249**	**245**	**255**
Unallocated provision						**4**	**96**	**232**
Total DTI resource budget	**3,241**	**4,593**	**6,682**	**6,487**	**7,056**	**7,069**	**5,090**	**5,861**

A3 CAPITAL BUDGET FOR THE DEPARTMENT OF TRADE AND INDUSTRY

Table 3 Capital Budget for the Department of Trade and Industry

£ million Capital spending by activity:	1998-99 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Non-science	**-7**	**-46**	**-17**	**104**	**266**	**1,162**	**450**	**-136**
of which:								
Commercial Best Practice			0	14	13	17	-14	-12
Maximising Potential in the Workplace		2	3	1	3	4	1	1
Finance for Investment	-52	-78	-76	3	129	955	419	-142
Strengthening Regional Economies			47	33	70	9	-1	-1
Knowledge Transfer and Innovation	20	7	4	19	13	35	7	5
Security of Energy Supply				4	1	15		
Sustainability and the Environment					2	30		
Free and Fair World Markets				0				
Consumers and Competition	0	0	2	4	18	16	0	0
Corporate Activity Framework	9	7	14	10	2	60	12	-12
Assets and Liabilities	7	7	-4	3	11	13	21	20
Activities in Support of all Objectives	8	9	-8	12	4	7	5	5
Science	**25**	**38**	**55**	**62**	**80**	**121**	**167**	**164**
of which:								
Expenditure of Research Councils	25	37	55	62	80	121	167	164
Departmental Science programmes	0	0	0	0	0	0	0	0
Unallocated provision						**16**	**40**	**42**
Total DTI capital budget	**18**	**-8**	**38**	**166**	**346**	**1,299**	**657**	**70**

A4 CAPITAL EMPLOYED

Table 4 Capital Employed

£ million Assets on balance sheet at end of year:	1999-2000 Outturn	2000-01 Outturn (re-stated)	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Fixed assets							
Tangible	81	112	133	146	165	158	151
Investments	3,503	3,739	4,386	3,569	3,985	4,024	4,050
Total fixed assets	**3,584**	**3,851**	**4,519**	**3,715**	**4,150**	**4,182**	**4,201**
Current assets	4,923	3,132	3,155	2,011	2,100	1,892	1,668
Creditors (<1 year)	-1,879	-394	-1,218	-952	-952	-952	-952
Creditors (>1 year)	-1	-579	-893	-602	-552	-502	-452
Provisions	-9,375	-12,425	-12,094	-14,220	-19,009	-20,640	-20,853
Capital employed within main department	**-2,748**	**-6,416**	**-6,530**	**-10,048**	**-14,262**	**-16,020**	**-16,388**
NDPB net assets	2,064	1,954	1,609	1,759	1,909	2,059	2,264
Total capital employed in departmental group	**-684**	**-4,462**	**-4,921**	**8,289**	**-12,353**	**-13,960**	**-14,124**

A5 ADMINISTRATION COSTS

Table 5 Administration Costs

£ million	1998–1999 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Gross administration costs								
Other	190	247	241	270	262	303	251	258
Paybill	229	225	261	221	267	257	197	219
Total gross administration costs	**419**	**472**	**501**	**491**	**529**	**560**	**448**	**477**
Related administration cost receipts	-109	-126	-121	-133	-146	-114	-19	-20
Total net administration costs	**310**	**346**	**380**	**358**	**383**	**446**	**429**	**457**
Analysis by Activity:								
Maximising Potential in the Workplace	41	46	51	24	26	25	25	26
Knowledge Transfer and Innovation	0	4	2	0	2	7	19	19
Free and Fair World Markets	0	28	27	31	32	38	35	37
Corporate Activity Framework	16	5	11	15	14	8	1	2
Activities in Support of all (non-Science) Objectives	244	244	275	269	300	344	336	360
Increasing Scientific Excellence	9	10	9	12	0	13	13	13
Net Controlled Agencies and Central Services	0	9	5	7	7	11	0	0
Total net administration costs	**310**	**346**	**380**	**358**	**382**	**446**	**429**	**457**
Controls and limits								
Administration costs limit (net) for gross controlled areas	310	338	374	351	375	435	429	457
Total net limits for gross controlled areas	**310**	**338**	**374**	**351**	**375**	**435**	**429**	**457**
Administration costs limit (net) for net controlled areas:								
Central Services								
Net Expenditure	0	0	0	0	0	0	0	0
Non Cash Costs	0	0	0	0	0	0	0	0
National Weights and Measures Laboratory Executive Agency								
Net Expenditure	0	0	0	0	0	0	0	0
Non Cash Costs	0	0	0	0	0	0	0	0
Radiocommunications Executive Agency								
Net Expenditure	0	0	0	0	0	0	0	0
Non Cash Costs	0	9	5	6	7	11	0	0
Insolvency Service Executive Agency								
Net Expenditure	0	0	0	0	0	0	0	0
Non Cash Costs	0	0	0	0	0	0	0	0
Total net limits for net controlled areas	**0**	**9**	**5**	**6**	**7**	**11**	**0**	**0**

A6 STAFF NUMBERS

Table 6 Staff Numbers[1]

	1998–99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Department of Trade and Industry (2)(3)(4)(5)(6) (Gross Control Area)								
CS FTEs	6,091	3,519	3,735	3,896	4,130	4,281	4,111	4,027
Overtime	61	27	14	33	30	30	29	29
Casuals	178	40	40	60	29	25	25	24
Total	**6,330**	**3,586**	**3,789**	**3,989**	**4,189**	**4,336**	**4,165**	**4,080**
Small Business Service (3) (Gross Control Area)								
CS FTEs	–	196	221	270	287	275	245	215
Overtime	–	1	1	1	1	1	1	1
Casuals	–	6	6	5	8	8	8	8
Total	–	**203**	**228**	**276**	**296**	**284**	**254**	**224**
UK Trade & Investment (3) (Gross Control Area)								
CS FTEs	–	674	708	710	703	674	674	674
Overtime	–	11	5	10	10	12	11	11
Casuals	–	1	1	1		59	48	47
Total	–	**686**	**714**	**721**	**713**	**745**	**733**	**732**
Employment Tribunals Service (3) (Gross Control Area)								
CS FTEs	–	607	652	660	673	710	769	769
Overtime	–	8	14	9	6	4	4	4
Casuals	–	58	31	30	74	61	2	2
Total	–	**673**	**697**	**699**	**753**	**775**	**775**	**775**
The Insolvency Service (3)(6) (Gross Control Area) (4)								
CS FTEs	–	1,447	1,318	1,278	1,260	1,600	1,625	1,625
Overtime	–	4	3	9	1	1	1	1
Casuals	–	50	96	34	40	24	25	25
Total	–	**1,501**	**1,417**	**1,321**	**1,301**	**1,625**	**1,651**	**1,651**
Central Services (5) (Net Control Area)								
CS FTEs	190	191	210	241	–	–	–	–
Overtime	1	1	0	1	–	–	–	–
Casuals	3	3	3	0	–	–	–	–
Total	**194**	**195**	**213**	**242**	–	–	–	–
National Weights and Measures Laboratory (Net Control Area)								
CS FTEs	51	56	53	50	50	50	50	50
Overtime	0	0	0	0	0	0	0	0
Casuals	1	1	1	0	0	1	1	0
Total	**52**	**57**	**54**	**50**	**50**	**51**	**51**	**50**

	1998–99 Actual	1999-2000 Actual	2000-01 Actual	2001-02 Actual	2002-03 Actual	2003-04 Estimated Outturn	2004-05 Plans	2005-06 Plans
Radiocommunications Agency (8) (Net Control Area)								
CS FTEs	497	520	517	560	570	540	–	–
Overtime	23	19	15	17	9	9	–	–
Casuals	13	19	16	10	10	4	–	–
Total	**533**	**558**	**548**	**587**	**589**	**553**	**–**	**–**
Advisory, Conciliation and Arbitration Service (Gross Control Area)								
CS FTEs	651	740	654	810	860	935	935	948
Overtime	2	2	3	5	5	3	3	3
Casuals	16	21	14	20	10	17	17	17
TOTAL	**669**	**763**	**671**	**835**	**875**	**955**	**955**	**968**
Companies House (7) (Trading Fund)								
CS FTEs	845	824	891	1,020	1,000	1,148	1,260	1,315
Patent Office (7) (Trading Fund)								
CS FTEs	792	828	892	920	1,010	1,038	1,040	1,009
Total DTI	**9,415**	**9,874**	**10,114**	**10,600**	**10,674**	**11,583**	**10,937**	**10,817**

(1) The plans are provisional subject to the outcome of the business planning processes for the relevant year.
(2) Excludes staff transferred to the Financial Services Authority.
(3) SBS, UK Trade & Investment, ETS and INSS shown separately from DTI Core from 1999-2000.
(4) INSS is a Gross Control Area until 2003-04, and will move to a Net Control Area for 2004-05 and thereafter.
(5) Central Services shown as part of DTI Core from 2002-03.
(6) RPS staff transferred from DTI Core to INSS from April 2003.
(7) Companies House and Patent Office became trading funds with effect from 1 October 1991.
(8) The Radiocommunications Agency ceased to exist on 28 December 2003 and merged with The Office of Communications (a Public Corporation) on 29 December 2003.

Annex B:

Supplementary Tables

B1 Resource Estimate Details
B2 Statement of Contingent or Nominal Liabi
B3 Research Councils' Grant-in-Aid
B4 Research Councils' Long Term Projects
B5 Non-Departmental Public Bodies
B6 Senior Civil Service Salaries
B7 DTI Public Appointments

B1 RESOURCE ESTIMATE DETAILS, INCLUDING APPROPRIATIONS IN AID AND CONSOLIDATED FUND EXTRA RECEIPTS

Table B1 Department of Trade and Industry Request for Resources 1: Increasing UK Competitiveness

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Spending in Departmental Expenditure Limits (DEL)	
		Central Government's own expenditure:	
		Function A: Commercial Best Practice and Enterprise	
209,934	**277,579**	**A1 Small Business Service**	**244,508**
183,920	249,518	(1) Other Support for Small Business	229,008
7,500	7,500	(2) Farm Business Advice Service	7,500
6,044		(3) Invest to Save	
100	8,000	(4) Gateway, Electronic Regulation Service Projects and UK Science Parks capital grants	8,000
9,920		(5) National Gateway project – Capital Modernisation Fund	
2,439	12,561	(6) Business.gov – Capital Modernisation Fund	
11		(7) Business Link Operators	
176,566	**78,775**	**A2 Innovation in Support of Commercial Best Practice**	**113,031**
3,367		(1) Capital Modernisation Fund projects	
249	30	(2) Invest to Save projects	
172,950	78,745	(3) Other	113,031
10,428	**102,000**	**A3 Modernisation of the Post Office Network**	**0**
10,428	102,000	Payments in respect of Post Office Network	
5,640	**1,500**	**A4 Post Office Consultancy and Other Expenditure Related to the Post Office**	**1,500**
5,640	1,500	Advisers' Fees in connection with the proposed restructuring of the Post Office	1,500
586	**0**	**A5 Non-cash expenditure associated with the above programmes**	**33,252**
586		Cost of capital, depreciation and provisions	33,252
403,154	**459,854**	**Gross Total**	**392,291**
		less	
7,029	**7,500**	**AZ Appropriations in Aid**	**22,200**
7,029	**7,500**	**AZ01 Small Business Service**	**7,500**
7,029	7,500	Farm Business Advice Service – Receipts from DEFRA	7,500
0	**0**	**AZ02 Innovation in Support of Commercial Best Practice**	**14,700**
		Other Receipts – Innovation	14,700
396,125	**452,354**	**Net Total**	**370,091**
0	**2,500**	**Commercial Best Practice and Enterprise Capital Modernisation Fund**	**0**
0	**2,500**	**Innovation in Support of Commercial Best Practice**	**0**
	2,500	Novel Recycling Techniques – Capital Modernisation Fund	
		Function B: Maximising Potential in the Workplace	
20,856	**18,506**	**B1 Employment Relations**	**15,459**
9,120	4,570	(1) Programme awareness and support activities	4,260
550	550	(2) Evaluation and Research	550
3,451	6,086	(3) National Minimum Wage and EC Directives, including Working Time Directive	3,349
1,500	1,500	(4) Partnership Training Fund	1,500
500	500	(5) Low Pay Commission	500
5,452	4,400	(6) Work-life balance	4,400
200	900	(7) Women and Equality	900
83		(8) Invest to Save	

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
63,493	**64,944**	**B2 Employment Tribunals Service**	**64,531**
26,375	23,735	(1) Administration Costs of the Employment Tribunals Service	23,365
37,118	41,209	(2) Judicial Costs of the Employment Tribunals Service	41,166
5,020	**0**	**B3 Small Business Service**	**0**
5,020		Welfare to work	
1,308	**1,477**	**B4 Non-cash expenditure associated with the above programmes**	**1,477**
1,307	1,477	(1) Employment Tribunals Service	1,477
1		(2) Other	
90,677	**84,927**	**Gross Total**	**81,467**
		less	
1,641	**105**	**BZ Appropriations in Aid**	**105**
109	**0**	**BZ01 Employment Relations**	**0**
109		Receipts from other departments	
1,532	**105**	**BZ02 Employment Tribunals Service**	**105**
1,532	105	Receipts from other departments	105
89,036	**84,822**	**Net Total**	**81,362**
		Function C: Finance for Investment	
34,975	**89,163**	**C1 Small Business Service Investment**	**62,250**
32,136	35,000	(1) Smart, R&D grants and grants for Investing in an Innovative Idea	27,000
2,847	18,250	(2) Enterprise Fund – current	18,250
-8	35,913	(3) Enterprise Fund – capital	17,000
579,986	**200,000**	**C2 Assistance to British Energy**	**0**
579,986	200,000	Loan to British Energy	
259,894	**347,177**	**C3 Aerospace Launch Investment**	**4,609**
1,694	4,196	(1) Aerospace Launch Investment expenditure – current	3,679
258,200	342,981	(2) Aerospace Launch Investment expenditure – capital	930
2,152	**1,644**	**C4 Assistance to Shipbuilding**	**1,644**
754	1,050	(1) Home Shipbuilding Credit Guarantee Scheme	1,050
1,398	594	(2) Intervention Fund	594
181	**155**	**C5 Exchange risk and other guarantees**	**155**
181	155	Exchange risk and other guarantees	155
117,641	**61,503**	**C6 Non-cash expenditure associated with the above programmes**	**42,820**
73,263	18,296	(1) Cost of capital charges	-2,700
44,378	43,207	(2) Provisions in respect of Small Firms Loan Guarantee Scheme and Aerospace	45,520
994,829	**699,642**	**Gross total**	**111,478**
		less	
720,714	**335,215**	**CZ Appropriations in Aid**	**108,579**
9,606	**21,250**	**CZ01 Small Firms Loan Guarantee scheme**	**8,950**
6,386	10,030	(1) Small Firms Loan Guarantee scheme – Premium Receipts	5,730
3,220	3,220	(2) Small Firms Loan Guarantee scheme – Recoveries	3,220
	8,000	(3) Smart external recoveries	
0	**479**	**CZ02 National Selective Assistance to Industry**	**0**
	479	Repayment of a loan made under the Industrial Expansion Act 1968	
579,986	**200,000**	**CZ03 Assistance to British Energy**	**0**
579,986	200,000	Repayment of loan to British Energy	
129,214	**112,787**	**CZ04 Aerospace Launch Investment**	**98,930**
129,214	112,787	Launch Investment receipts	98,930
1,846	**644**	**CZ05 Assistance to the Shipbuilding Industry**	**644**
100	100	(1) Premium income from shipbuilding credit guarantees and repayment expenses	100
1,746	544	(2) Repayments of Intervention Fund grants and re-imbursements by Home Shipbuilding Credit Guarantee Scheme borrowers on interest charged on late repayment of principal	544

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
62	**55**	**CZ06 Exchange risk and other guarantees**	**55**
62	55	Premium income from, and other receipts related to, guarantees on European Investment Bank and European Coal and Steel Community loans	55
274,115	**364,427**	**Net total**	**2,899**
		Function D: Strengthening Regional Economies	
7,037	**21,500**	**D1 Regional Innovation Fund**	**8,200**
	50	**D2 Evidence Based Policy Fund – Capital Modernisation Fund**	
50,894	**72,096**	**D3 Regional Selective Assistance**	**76,000**
50,894	72,096	Grants to investment projects which create new jobs or safeguard existing employment in the assisted areas of England and related consultancy	76,000
0	**1,727**	**D4 Co-financed ERDF and Other Payments**	**227**
	1,500	(1) Technology transfer payments	
	227	(2) Leader Network Projects	227
-10	**0**	**D5 Non-cash expenditure associated with the above programmes**	**0**
-10		Cost of Capital	
57,921	**95,373**	**Gross total**	**84,427**
		less:	
1,249,599	**1,377,732**	**DZ Appropriations in Aid**	**1,289,372**
2,183	**250**	**DZ01 Recoveries of Regional Selective Assistance Grants**	**250**
2,183	250	Refund of Section 7 grants	250
1,247,416	**1,377,349**	**DZ02 Receipts from other Government Departments in relation to Regional Development Agencies**	**1,288,989**
430,479	278,599	(1) Current receipts from the Office of the Deputy Prime Minister	416,452
365,883	168,537	(2) Capital receipts from the Office of the Deputy Prime Minister	81,000
339,255	830,408	(3) Capital grants receipts from the Office of the Deputy Prime Minister	686,648
12,930	12,930	(4) Current receipts from UK Trade and Investment	13,230
	3,600	(5) Current receipts from Department of Culture, Media and Sport	3,600
31,034	19,034	(6) Current receipts from Department of Environment, Food and Rural Affairs	24,034
22,525	21,525	(7) Capital grants receipts from Department of Environment, Food and Rural Affairs	21,525
45,310	42,716	(8) Current receipts from Department for Education and Skills	42,500
0	**133**	**DZ03 Appropriations in aid**	**133**
0	133	Leader Network receipts from other Government Departments	133
-1,191,678	**-1,282,359**	**Net Total**	**-1,204,945**
		Function E: Knowledge Transfer and Innovation	
169,983	**173,406**	**E1 Innovation in Support of Knowledge Transfer**	**140,068**
85,127	32,957	(1) Space	33,057
24,449	*22,057*	*Domestic Civil Space Technology*	*22,157*
60,678	*10,900*	*European Space Agency: UK Contribution*	*10,900*
84,456	140,449	(2) Other	107,011
12,602	**34,903**	**E2 Research Establishments Major Building Works**	**7,369**
823	**729**	**E3 National Weights and Measures Laboratory Executive Agency**	**729**
700	498	(1) Administration costs	498
-119		(2) Programme costs	
242	231	(3) Capital expenditure on scientific and computer equipment, office machinery, fixtures and fittings	231
8,759	**7,530**	**E4 Non-cash expenditure associated with the above programmes**	**19,430**
227	214	(1) National Weights and Measures Laboratory Executive Agency	222
8,532	7,316	(2) Other	19,208
192,167	**216,568**	**Gross total**	**167,596**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		less	
5,800	**4,805**	**EZ Appropriations in Aid**	**4,805**
5,100	**4,307**	**EZ01 Innovation in Support of Knowledge Transfer**	**4,307**
18	57	(1) Space	57
5,082	4,250	(2) Other Receipts	4,250
700	**498**	**EZ02 National Weights and Measures Laboratory Executive Agency**	**498**
700	498	Allowable administration cost receipts	498
186,367	**211,763**	**Net Total**	**162,791**
102	**25,000**	**Knowledge Transfer and Innovation Capital Modernisation Fund**	**0**
102	25,000	Business Incubators – Capital Modernisation Fund	
		Function F: Security of Energy Supply	
6,991	**7,136**	**F1 Non-Nuclear Expenditure of a Regulatory Nature**	**7,203**
5,685	5,890	(1) Regulation of the offshore oil and gas industries	5,957
37	37	(2) Gas and Electricity Consumer Council pensions	37
100	100	(3) Public inquiries	100
909	849	(4) Subscription to the International Energy Agency	849
260	260	(5) Contribution to the European Energy Charter	260
0	**15,000**	**F2 Assistance to the Coal Industry**	**0**
	15,000	Investment aid to the Coal industry	
6,991	**22,136**	**Gross Total**	**7,203**
		less	
12,603	**14,023**	**FZ Appropriations in Aid**	**14,023**
12,603	**14,023**	**FZ01 Non-Nuclear Expenditure of a Regulatory Nature**	**14,023**
730	730	(1) Receipts arising from public inquiries under the Electricity Act, Offshore Geology programme, and Chemicals Notification Scheme	730
11,873	13,293	(2) Receipts from Gas and Electricity Consumer Council Licence Fees	13,293
-5,612	**8,113**	**Net Total**	**-6,820**
		Security of Energy Supply Capital Modernisation Fund	
983	**200**	**Non-Nuclear Expenditure of a Regulatory Nature**	**0**
983	200	UK Oil Portal – Capital Modernisation Fund	
		Function G: Sustainability and the Environment	
25,330	**46,063**	**G1 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets**	**47,563**
11,839	17,673	(1) New and renewable sources of energy	19,173
8,300	8,300	(2) Clean coal technology	8,300
1,700	1,700	(3) Oil and gas competitiveness	1,700
1,390	1,390	(4) Environmental, economic and statistical advice, and other assistance relating to energy programmes and the annual Energy Report	1,390
2,101	17,000	(5) Capital Grants to the Private Sector in relation to renewable energy	17,000
25,330	**46,063**	**Gross Total**	**47,563**
		less	
82	**198**	**GZ Appropriations in Aid**	**198**
82	**198**	**GZ01 Non-Nuclear Expenditure Directly Related to the Creation of Open Markets**	**198**
82	198	Receipts in respect of new and renewable sources of energy, clean coal, and oil and gas competitiveness	198
25,248	**45,865**	**Net Total**	**47,365**
2,101	**30,000**	**Sustainability and the Environment Capital Modernisation Fund**	**0**
2,101	**30,000**	**Non-Nuclear Expenditure Directly Related to the Creation of Open Markets**	**0**
2,101	30,000	Renewable Energy – Capital Modernisation Fund	

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Function H: Free and Fair World Markets	
32,071	**37,767**	**H1 UK Trade and Investment administration**	**34,866**
32,071	37,767	(1) Departmental staff	34,866
3,927	**8,291**	**H2 Trade Policy and Related Subscriptions**	**9,791**
289	4,513	(1) Trade Policy, including Joint Commissions, publicity, promotion, tariff suspensions, OECD Steel Subscription	6,013
3,638	3,778	(2) Subscription to the World Trade Organisation	3,778
1	**0**	**H3 Non-cash expenditure associated with the above programmes**	**0**
1		Cost of Capital	
35,999	**46,058**	**Gross Total**	**44,657**
		less	
0	**10**	**HZ Appropriations in Aid**	**10**
0	**10**	**HZ01 Trade Policy and Related Subscriptions**	**10**
	10	Spearhead Receipts	10
35,999	**46,048**	**Net total**	**44,647**
		Function I: Consumers and Competition	
58,385	**53,630**	**I1 Consumer and Investor Protection**	**60,056**
24	169	(1) National Industry Consumer Councils	169
17,784	19,700	(2) Citizens' Advice	19,700
17,054	10,561	(3) Miscellaneous Consumer Protection	16,987
23,033	23,200	(4) Investor Protection	23,200
490		(5) Invest to Save projects	
-1	**0**	**I2 Non-cash expenditure associated with the above programmes**	**0**
-1		Cost of Capital	
58,384	**53,630**	**Gross Total**	**60,056**
		less	
8,470	**9,906**	**IZ Appropriations in Aid**	**9,583**
270	**109**	**IZ01 Consumer and Investor Protection**	**109**
270	109	Receipts in respect of legal costs and fees paid to Treasury Solicitors	109
8,200	**9,797**	**IZ02 Consumer Council for Postal Services (POSTCOMM)**	**9,474**
8,200	9,797	Receipts from Consumer Council Licence Fees	9,474
49,914	**43,724**	**Net total**	**50,473**
10,000	**10,000**	**Consumers and Competition Capital Modernisation Fund**	**0**
10,000	**10,000**	**Consumer and Investor Protection**	**0**
10,000	10,000	Citizens Advice IT Gateway Capital Modernisation Fund	
0	**1**	**Consumers and Competition EU programme**	**0**
	1	EU Funded Consumer Education Project	
		Function J: Corporate Activity Framework	
9,650	**51,716**	**J1 Telecommunications and Posts**	**3,716**
	48,000	(1) Support for establishment of Ofcom	
2,759	1,888	(2) Subscription to International Telecommunications Union	1,888
915	915	(3) Subscription to Universal Postal Union and Conference of European Posts and Telecommunications Administrations	915
5,976	913	(4) Other telecommunications and posts expenditure	913
0	**5,001**	**J2 Spectrum Efficiency Scheme**	**5,001**
	5,001	Spectrum Efficiency Scheme expenditure	5,001
73,597	**57,900**	**J3 Insolvency Service**	**83,825**
72,574	57,200	(1) Administration Costs of the Insolvency Service	1,000
		(2) Programme costs of the Insolvency Service	82,300
	700	(3) Invest to Save projects	125
1,023		(4) Cost of capital and depreciation	400

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
	31,074	**J4 Office of Communications (Ofcom)**	**80,232**
	29,070	(1) Grant to Ofcom	66,903
	2,004	(2) Capital Expenditure	12,509
		(3) Cost of Capital	820
70,554	**59,587**	**J5 Radiocommunications Executive Agency**	**0**
54,041	**31,332**	**(1) Administration costs**	**0**
54,041	31,332	Administration costs	
6,879	**6,570**	**(2) Other current expenditure**	**0**
6,879	6,570	Other current expenditure	
2,461	**10,505**	**(3) Capital expenditure**	**0**
2,461	10,505	Capital expenditure on scientific and computer equipment, office machinery, fixtures and fittings	
7,173	**11,180**	**(4) Non-cash expenditure associated with the above programmes**	**0**
7,173	11,180	Cost of capital, depreciation and provision movements	
	9,786	**J6 Trading Funds**	**4,986**
	2,044	(1) Companies House Cost of Capital	1,644
	7,742	(2) Patent Office Cost of Capital	3,342
153,801	**215,064**	**Gross Total**	**177,760**
		Less:	
133,250	**168,898**	**JZ Appropriations in aid**	**201,029**
10,107	**3,278**	**JZ01 Telecommunications and Posts**	**3,278**
	1,888	(1) International Telecommunications Union Receipts	1,888
10,107	1,390	(2) Other Receipts – Telecommunications and Posts	1,390
0	**5,000**	**JZ02 Spectrum Efficiency Scheme**	**5,000**
	5,000	Spectrum Efficiency Scheme receipts	5,000
58,666	**50,000**	**JZ03 Insolvency Service**	**82,200**
58,666	50,000	Insolvency Service: fees and costs from bankruptcies	82,200
0	**29,070**	**JZ04 Office of Communications (Ofcom)**	**80,000**
	29,070	Receipts from fees and services to other Government Departments and the private sector	80,000
63,926	**50,999**	**JZ05 Radiocommunications Executive Agency**	**0**
		Receipts from fees and services to other Government Departments and the private sector	
54,041	31,332	(1) Allowable administration cost receipts	
9,885	19,667	(2) Other receipts	
551	**30,551**	**JZ06 Trading Funds**	**30,551**
	30,000	(1) Withdrawal from Patent Office reserves	30,000
385	385	(2) Repayment of principal of Companies House long term loans	385
166	166	(3) Repayment of principal of Patent Office long term loans	166
20,551	**46,166**	**Net total**	**-23,269**
		Function K: Assets and Liabilities	
-63,402	**99,156**	**K1 Non-cash Concessionary Fuel provisions expenditure**	**104,197**
-17,227	61,011	(1) Cost of capital charges in respect of Concessionary Fuel and related liabilities, and associated assets	49,767
-46,175	38,145	(2) Additional provision and revaluation of existing provision in respect of Concessionary Fuel and related liabilities	54,430
-7,882	**0**	**K2 Coal Operating Subsidy**	**0**
-447	..	(1) Cost of capital charges	
-7,435		(2) Additional provision and revaluation of existing provision	
0	**403**	**K3 British Coal provisions expenditure**	**0**
	169	(1) Cost of capital charges	
	234	(2) Additional provision and revaluation of existing provision in respect of British Coal	
25	**77**	**K4 Coal subsidence adviser, statutory arbitration arrangements**	**77**
25	77	Costs of the subsidence adviser and statutory arbitration arrangements	77

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
36	**50**	**K5 Coal Authority**	**50**
36	50	Consultancy Advice in relation to the Coal Authority	50
10,420	**21,800**	**K6 Nuclear Liabilities Management**	**41,000**
5,920	21,800	(1) Consultancy related to BNFL	14,600
4,500		(2) Establishment of Liabilities Management Unit	26,400
10,480	**7,000**	**K7 British Energy Liabilities**	**0**
10,480	7,000	Advisers in relation to British Energy	
-1,659	**0**	**K8 Support for the Steel Industry**	**0**
-295		(1) Cost of capital charges	
-1,364		(2) Additional provision and revaluation of existing provision	
232	**0**	**K9 Trawlermen Compensation Scheme**	**0**
-86		(1) Cost of capital charges	
318		(2) Additional provision and revaluation of existing provision	
-289	**0**	**K10 Enemy Property**	**0**
-289		Cost of capital charges	
-428	**0**	**K11 Transfer of Undertakings (Protection of Employment)**	**0**
-428		Cost of capital charges	
1,965	**1,260**	**K12 British Shipbuilders**	**1,260**
-35	1,260	(1) Cost of Capital in relation to assets of British Shipbuilders	1,260
2,000		(2) Additional provision and revaluation of existing provision	
-50,502	**129,746**	**Gross Total**	**146,584**
		less	
9,755	**10,161**	**KZ Appropriations in Aid**	**10,161**
29	**77**	**KZ01 Subsidence adviser, statutory arbitration arrangements**	**77**
29	77	Subsidence Adviser and statutory arbitration arrangements: receipts in connection with services or activities intended to operate on a cost recovery basis	77
9,723	**10,034**	**KZ02 Non ring-fenced coal liabilities**	**10,034**
9,723	10,000	(1) Release from Investment Reserve	10,000
	34	(2) Recoveries of overpayments in connection with ex-employee liabilities	34
3	**50**	**KZ03 Coal Operating Subsidy**	**50**
3	50	Recoveries of overpayments in connection with the Coal Operating Subsidy	50
-60,257	**119,585**	**Net total**	**136,423**
		Function L: Nuclear Security and Export Control	
2,456	**2,500**	**L1 Nuclear Safety and Security**	**2,500**
2,106	2,150	(1) Civil Nuclear Emergency Planning	2,150
350	350	(2) Nuclear Energy Agency	350
8,822	**42,175**	**L2 Nuclear Support for the Former Soviet Union**	**32,475**
8,822	42,175	Nuclear Support for the Former Soviet Union	32,475
15,731	**16,550**	**L3 Non-Proliferation**	**16,550**
9,929	10,748	(1) International Atomic Energy Agency	10,748
4,332	4,332	(2) Organisation for the Prohibition of Chemical Weapons and Organisation for the Prohibition of Biological Weapons	4,332
1,200	1,200	(3) Safeguards Support for International Atomic Energy Agency	1,200
250	250	(4) Support for DTI Safeguards Office	250
20	20	(5) Non-Proliferation Studies	20
1	**0**	**L4 Non-cash expenditure associated with the above programmes**	**0**
1		Cost of capital charges	
27,010	**61,225**	**Gross and net total**	**51,525**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Function M: Activities in Support of all Objectives	
118,458	**117,386**	**M1 Administration and Other Costs related to Promotion of Enterprise, Innovation and Productivity**	**8,816**
118	118	(1) Share of salaries of Ministers and special advisers	
116,116	108,432	(2) Departmental staff, excluding Ministers	
	6,181	(3) Share of Departmental capital expenditure	6,181
2,224	2,635	(4) Share of expenditure on Central Publicity, Queen's Awards, Secondments and Consultancy	2,635
	20	(5) Invest to Save Administration Costs	
4,981	**8,712**	**M2 External Legal Fees and Office of Manpower Economics Consultancy**	**4,725**
3,309	2,888	(1) Expenditure on external legal fees	3,053
1,672	5,824	(2) Office of Manpower Economics Consultancy	1,672
205,697	**246,585**	**M3 Administration and Other Costs related to Legal and Regulatory Framework and Markets**	**341,865**
118	118	(1) Share of salaries of Ministers and special advisers	118
190,221	232,074	(2) Departmental staff, excluding Ministers	329,523
1,884	1,960	(3) Office of Manpower Economics administration costs	1,960
6,167	8,080	(4) Share of Departmental capital expenditure	6,080
7,307	3,436	(5) Share of expenditure on Central Publicity, Queen's Awards, Secondments and Consultancy	3,436
	917	(6) Invest to Save (Administration and Capital expenditure)	748
960	**960**	**M4 Suppliers of Departmental central services**	**200**
		Central Services net expenditure	
14,194	14,194	(1) Administration costs	2,500
		Less:	
13,234	13,234	(2) Receipts from DTI, excluding DTI Trading Funds:	2,300
13,130	*13,130*	*Allowable administration cost related receipts*	*2,300*
104	*104*	*Other*	
10,846	**23,063**	**M5 Non-cash expenditure associated with the above programmes**	**23,110**
10,846	23,063	Cost of capital, depreciation, Notional Audit Fee, provisions movements	23,110
340,942	**396,706**	**Gross Total**	**378,716**
		Less:	
19,819	**24,642**	**MZ Appropriations in Aid**	**20,341**
5,724	**5,705**	**MZ01 Administration and Other Costs related to Promotion of Enterprise, Innovation and Productivity**	**5,705**
5,724	2,230	(1) Share of receipts netted off in forming Administration Costs Limit (includes share of Other Government Departments and Other Services receipts)	2,230
	3,475	(2) Book Value of Tangible Asset Sales	3,475
12,411	**17,658**	**MZ02 Administration and Other Costs related to Legal and Regulatory Framework and Markets**	**14,233**
10,620	14,223	(1) Share of receipts netted off in forming Administration Costs Limit (includes share of Other Government Departments and Other Services receipts)	10,798
1,791	3,435	(2) Book Value of Tangible Asset Sales	3,435
608	**203**	**MZ03 External Legal Fees and Office of Manpower Economics Consultancy**	**203**
608	203	Prosecution and Treasury Solicitors receipts	203
1,076	**1,076**	**MZ04 Suppliers of departmental central services** Receipts from other Government Departments, DTI trading funds and the private sector	**200**
1,064	1,064	(1) Departmental Central Services: Allowable administration cost receipts	200
12	12	(2) Departmental Central Services: Other receipts	
321,123	**372,064**	**Net total**	**358,375**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Spending in Departmental Expenditure Limits (DEL)	
		Support for Local Authorities	
		Function N: Current Grants to the London Development Agency	
137,517	**149,101**	**N1 London Development Agency**	**154,997**
137,517	149,101	Grant to London Development Agency	154,997
137,517	**149,101**	**Gross Total**	**154,997**
		less	
95,186	**149,100**	**NZ Appropriations in Aid**	**116,248**
1,145	1,145	(1) Receipts from UK Trade & Investment	
86,460	140,374	(2) Receipts from Office of the Deputy Prime Minister	116,248
7,581	7,581	(3) Receipts from Department for Education and Skills	
42,331	**1**	**Net total**	**38,749**
		Spending in Departmental Expenditure Limits (DEL)	
		Capital Grants to Local Authorities	
		Function O: Capital Grants to the London Development Agency	
156,921	**154,156**	**O1 London Development Agency**	**160,352**
156,921	154,156	Capital Grant to London Development Agency	160,352
156,921	**154,156**	**Gross Total**	**160,352**
		less	
146,984	**154,155**	**OZ Appropriations in Aid**	**144,317**
146,984	**154,155**	**OZ01 London Development Agency**	**144,317**
146,984	154,155	Receipts from Office of the Deputy Prime Minister	144,317
9,937	**1**	**Net total**	**16,035**
		Spending in Annually Managed Expenditure	
		Central Government's own spending	
		Function P: Finance for Investment	
	4,000,000	**P1: Support to Consignia**	**19,500,000**
	4,000,000	Voted loan to Consignia	19,500,000
0	**4,000,000**	**Gross Total**	**19,500,000**
		less	
6,286	**3,300,000**	**PZ Appropriations in Aid**	**19,000,000**
0	**3,300,000**	**PZ01: Support to Consignia**	**19,000,000**
	3,300,000	Repayment of Voted loan to Consignia	19,000,000
6,286		**PZ02: Assistance to British Energy**	
6,286		Interest on loan to British Energy	
-6,286	**700,000**	**Net Total**	**500,000**
		Function Q: Corporate Activity Framework	
1	**3**	**Q1 Privatisation of the Electricity Industry**	**3**
1	3	Privatisation of the electricity industry in England and Wales	3
1	**883**	**Q2 Privatisation of the nuclear power industry**	**883**
1	4	(1) Residual expenses	4
	265	(2) Cost of capital charges	265
	614	(3) Movement in provision	614
2	**886**	**Gross total**	**886**
		Less:	
0	**3**	**QZ Appropriations in aid**	**3**
0	**3**	**QZ01 Privatisation of the nuclear power industry**	**3**
	3	Receipts from the sale of the nuclear power industry	3
2	**883**	**Net Total**	**883**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Function R: Assets and Liabilities	
527,015	**519,950**	**R1 Non cash nuclear provisions expenditure**	**214,000**
-387,074	-404,639	(1) Cost of capital charges	-461,000
914,089	924,589	(2) Additional provision and revaluation of existing provision in respect of Nuclear Liabilities	675,000
748,835	**1,673,163**	**R2 Non-cash coal health provisions expenditure**	**112,896**
-146,644	-107,242	(1) Cost of capital charges in respect of Coal Health Liabilities, and associated assets	-3,098
895,479	1,780,405	(2) Additional provision and revaluation of existing provision in respect of Coal Health Liabilities	115,994
2,134,432	**157,431**	**R3 Assistance to British Energy**	**0**
-38,018	-91,124	(1) Cost of capital charges	
2,172,450	248,555	(2) Additional provision and revaluation of existing provision in respect of British Energy	
-7,488	**35,494**	**R4 Privatisation of the coal industry**	**-20**
-1,311	-1,464	(1) Cost of capital charges	-449
-6,177	36,958	(2) Additional provision and revaluation of existing provision in respect of Coal Privatisation Liabilities	429
3,402,794	**2,386,038**	**Gross Total**	**326,876**
74	**5**	**RZ Appropriations in Aid**	**5**
74	**5**	**RZ01 Coal health provisions**	**5**
74	5	Recoveries of overpayments in connection with ex-employee health liabilities	5
3,402,720	**2,386,033**	**Net Total**	**326,871**
		Activities in Support of all Objectives	
		Bulk Transfer of Pension Liabilities to the Principal Civil Service Pension Scheme	
250		(1) Bulk Transfer in relation to SITPRO (Simpler Trade Procedures Board)	
6,767		(2) Bulk Transfer in relation to GECC (Gas and Electricity Consumer Council)	
7,017	**0**	**Gross and Net Total**	**0**
		Spending in Annually Managed Expenditure	
		Support for Local Authorities	
		Function S: Strengthening Regional Economies	
1,212	**425**	**London Development Agency Corporation Tax**	**684**
1,212	**425**	**Gross and Net Total**	**684**
		Non- Budget Expenditure	
		Function T: Commercial Best Practice and Enterprise	
6,200	**6,500**	**T1 Innovation in Support of Knowledge Transfer**	**6,705**
6,200	6,500	Grant-in-Aid to the Design Council	6,705
6,200	**6,500**	**Gross and Net Total**	**6,705**
		Function U: Maximising Potential in the Workplace	
6,886	**7,205**	**U1 Employment Relations**	**7,205**
6,886	7,205	Equal Opportunities Commission Grant in Aid	7,205
6,886	**7,205**	**Gross and Net Total**	**7,205**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Function V: Strengthening Regional Economies	
1,255,674	**1,554,533**	**V1 Regional Development Agencies**	**1,459,104**
1,250,674	1,549,533	(1) Grant in Aid to Regional Development Agencies	1,454,104
5,000	5,000	(2) Corporation Tax payments to Regional Development Agencies	5,000
1,255,674	**1,554,533**	**Gross Total**	**1,459,104**
		Less:	
11,336	**7,944**	**VZ Appropriations in Aid**	**7,944**
11,336	**7,944**	**ERDF and other receipts**	**7,944**
9,836	6,100	(1) Business Development	6,100
1,500	1,500	(2) Technology Transfer	1,500
0	250	(3) EHLASS	250
0	94	(4) Leader Network	94
1,244,338	**1,546,589**	**Net Total**	**1,451,160**
		Knowledge Transfer and Innovation	
-1,928	**-2,703**	**Research Establishments Major Building Works**	**0**
-1,928	-2,703	Cost of Capital Credit on NPL Teddington Assets	
		Function W: Security of Energy Supply	
12,375	**13,293**	**W1 Non-Nuclear Expenditure of a Regulatory Nature**	**13,293**
12,375	13,293	Gas and Electricity Consumer Council Grant in Aid	13,293
28,978	**23,600**	**W2 Petroleum licensing and royalty**	**10,600**
18,978	**13,600**	**(a) Refunds and repayments under petroleum licences**	**600**
600	600	(1) Refunds and repayments of overpayments of application fees and of initial and periodic payments for licences	600
18,378	13,000	(2) Repayments of royalty, including any interest due Royalty payments are collected on account and are subsequently adjusted when actual amounts due have been determined. Repayments may also be made under the Petroleum Act 1998	
10,000	**10,000**	**(b) Payments to Northern Ireland**	**10,000**
10,000	10,000	Proportion of proceeds from petroleum licensing and royalties	10,000
41,353	**36,893**	**Gross total**	**23,893**
		Less:	
28,978	**23,599**	**WZ Appropriations in Aid**	**10,599**
28,978	**23,599**	**WZ01 Petroleum licences and royalty**	**10,599**
28,978	23,599	Application fees for petroleum exploration and production licences, and initial and periodic payments. Royalty on petroleum won and saved.	10,599
12,375	**13,294**	**Net total**	**13,294**
		Function X: Free and Fair World Markets	
1,048	**700**	**X1 Trade Policy**	**700**
1,048	700	Grant in Aid to Simpler Trade Procedures Board (SITPRO)	700
1,048	**700**	**Gross and Net Total**	**700**
		Function Y: Consumers and Competition	
18,481	**21,314**	**Y1 Consumer and Investor Protection**	**21,314**
3,419	3,419	(1) Consumer Groups and Councils Grant in Aid	3,419
15,062	17,895	(2) Competition Commission and Competition Service Grant in Aid	17,895
8,200	**9,798**	**Y2 Regulation of the Postal Industry**	**7,810**
8,200	9,798	Grant-in-Aid to Consumer Council for Postal Services (POSTWATCH)	7,810
26,681	**31,112**	**Gross and Net Total**	**29,124**

All in £000 2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Function Z: Corporate Activity Framework	
451	**392**	**Z1 Refunds of pension adjustments to pensioners for UK income tax**	**392**
392	333	(1) European Space Agency	333
59	59	(2) European Patent Office	59
451	**392**	**Gross Total**	**392**
		less	
23	**3**	**ZZ Appropriations in Aid**	**3**
23	**3**	**ZZ01 Privatisation of the electricity industry in England and Wales**	**3**
23	3	Receipts from the sale of shares in the electricity industry	3
428	**389**	**Net Total**	**389**
		Function AA: Assets and Liabilities	
0	**46,078**	**AA1 United Kingdom Atomic Energy Authority**	**35,078**
	46,078	United Kingdom Atomic Energy Authority Grant in Aid	35,078
25,400	**27,000**	**AA2 Coal Authority**	**27,000**
25,400	27,000	Coal Authority Grant in Aid	27,000
25,400	**73,078**	**Gross Total**	**62,078**
		less	
-325	**0**	**AAZ Appropriations in Aid**	**0**
-325	**0**	**Receipts from European Community programmes**	**0**
-325		Receipts from the European Coal and Steel Community against payments of restructuring grants to British Coal Corporation	
25,725	**73,078**	**Net Total**	**62,078**
10,874	**0**	**Machinery of Government changes**	**0**
10,874		Transfer from the Cabinet Office	
7,417,117	**10,993,009**	**Gross total**	**23,484,319**
2,457,304	**5,588,004**	**Gross receipts**	**20,959,525**
4,959,813	**5,405,005**	**Net Total**	**2,524,794**
		Payments In Respect of Provisions (All DEL unless indicated)	
860,239	991,000	(1) Coal Health Liabilities *(AME)*	1,000,000
277,411	294,044	(2) UKAEA Decommissioning	291,544
50,310	47,200	(3) Small Firms Loan Guarantee Scheme	56,700
53,634	52,350	(4) Coal Liabilities (Concessionary Fuel etc)	52,350
18,553	13,951	(5) Indemnities and Warranties relating to Privatisation of the Coal Industry *(AME)*	13,951
558	1,000	(6) National Physical Laboratory (Teddington)	5,328
57	58	(7) Science Research Councils' pensions scheme *(AME)*	64
4,225	*6,142*	*Enemy Property*	
4,425	*2,000*	*Distant Water Trawlermen*	
1,750	*1,750*	*Britech*	
	165	*British Shipbuilding health liabilities*	
	85	*Phoenix Fund*	
11,005		*Steel industry liabilities*	
16,630		*Coal Operating Subsidy*	
9,674		*Early Retirement*	
263		*Radiocommunications Agency – Early Retirement*	
21		*Employment Tribunals Agency – Early Retirement*	
1,308,755	**1,409,745**	**TOTAL EXPENDITURE IN RESPECT OF PROVISIONS**	**1,419,937**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Extra receipts payable to the Consolidated Fund	
		In addition to appropriations in aid there are the following estimated receipts:	
33,878	1,493	(1) Levies on sales of aero engines and airframes *(DEL)*	1,655
218	142	(2) Interest on loans advanced by the Secretary of State to the Companies House Executive Agency trading fund *(within OCS and DEL)*	91
	1,902	(3) Receipt of dividend from the Companies House Executive Agency trading fund *(within OCS and DEL)*	1,553
257	345	(4) Interest on loans advanced by the Secretary of State to the Patent Office Executive Agency trading fund *(within OCS and DEL)*	200
	7,469	(5) Receipt of dividend from the Patent Office Executive Agency trading fund *(within OCS and DEL)*	3,142
31,256	12,000	(6) Companies House receipts from late filing penalties *(within OCS)*	12,000
		(7) Ofcom (Office of Communications)	58,764
476,650	637,000	(8) Application fees for petroleum exploration and production licences, and initial and periodic payments (rents). Royalty on petoleum won and saved.	67,000
	53,600	(9) Dividends from British Nuclear Fuels plc	
1,131	85	(10) Non-nuclear energy miscellaneous receipts	85
	2	(11) Privatisation of the electricity industry, including clawback receipts	2
3,670	4,200	(12) Receipts of the Coal Authority	4,200
	4,200	(13) Privatisation of the coal industry including property clawback receipts *(within AME)*	4,200
412,002	391,000	(14) Distribution of surpluses from coal industry pension schemes *(within OCS and AME)*	329,000
5	1	(15) Privatisation of the nuclear power industry	1
1	1	(16) Privatisation of AEA Technology – property and land clawback	1
72,937	*57,297*	*Radiocommunications Agency*	
6,790		*Support to the Steel industry*	
225		*Nuclear Safety and Security*	
73		*National Selective Assistance*	
5		*Trade Policy*	
70		*Employment Relations*	
17		*Innovation in Support of Commercial Best Practice*	
79		*Consumer Protection*	
1,039,264	**1,170,737**	**Total**	**481,894**

Table B1 Request for Resources 2: Science

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Spending in Departmental Expenditure Limits	
		Central Government's own expenditure	
28,450	**29,740**	**A Swindon Research Councils' pensions scheme**	**31,140**
28,783	**29,245**	**B The Royal Society**	**31,045**
4,770	**5,270**	**C The Royal Academy of Engineering**	**5,600**
2,243	**6,192**	**D OST Initiatives**	**5,305**
39,931	**74,012**	**E Knowledge Transfer Programmes**	**64,960**
7,345	5,000	(1) University Challenge Fund	
22,791	64,011	(2) Higher Education Innovation Fund	60,306
4,977	1	(3) Exploitation of Discoveries at Public Sector Research Establishments	4,654
4,818	5,000	(4) Science Enterprise Challenge Scheme	
10,705	**14,000**	**F Cambridge/Massachusetts Institute of Technology**	**14,000**
2,534	**5,000**	**G Foresight Link Awards**	**2,000**
105,018	**250,000**	**H Science Research Investment Fund**	**296,570**
(9,004)	**4,923**	**I Science and Engineering Base Group Administration Costs**	**4,923**
4,823	4,860	(1) Administration Costs	4,860
	63	(2) Share of Departmental capital expenditure	63
(13,827)		(3) Cost of Capital	
		Less:	
21	**49**	**(IZ) Appropriations in Aid**	**49**
21	0	(1) – Administration Costs Related Receipts	0
	49	(2) – Capital Related Receipts	49
(9,025)	**4,874**	**Net Total**	**4,874**
8,704	**8,015**	**J Transdepartmental Science and Technology Group Administration Costs**	**8,085**
8,704	7,880	(1) Administration Costs	7,950
	135	(2) Share of Departmental capital expenditure	135
		Less:	
1	**99**	**(JZ) Appropriations in Aid**	**99**
1		(1) – Administration Costs Related Receipts	
	99	(2) – Capital Related Receipts	99
8,703	**7,916**	**Net Total**	**7,986**
14,630	**0**	**Nuclear Fusion**	**0**
85,384	**44,000**	**Joint Infrastructure Fund**	
		Spending in Annually Managed Expenditure:	
108	**160**	**K Swindon Research Councils' pensions scheme**	**10,132**
62	66	(1) Increase in value of liability due to interest on scheme liabilities	72
46	94	(2) Current Service Cost (increase in present value of scheme liabilities expected to arise from employee service in the current period) and increase in value of liability arising from current service cost, past service cost, group and individual transfers and added years	60
		(3) Bulk transfer of pension liabilities in respect of Horticulture Research International	10,000
		Less:	
58	**59**	**(KZ) Appropriations in Aid**	**66**
58	59	Receipts for employees' and employers' contributions and transfer values received.	66
50	**101**	**Net Total**	**10,066**

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Spending Outside Departmental Expenditure Limits	
241,510	268,075	L Biotechnology and Biological Sciences Research Council – Grant-in-Aid	268,390
82,963	94,584	M Economic and Social Research Council – Grant-in-Aid	104,074
473,534	425,000	N Engineering and Physical Sciences Research Council – Grant-in-Aid	486,414
365,136	430,058	O Medical Research Council – Grant-in-Aid	408,208
205,677	288,661	P Natural Environment Research Council – Grant-in-Aid	293,463
235,540	281,506	Q Particle Physics and Astronomy Research Council – Grant-in-Aid	268,657
15,607	101,593	R Council for the Central Laboratory of the Research Councils – Grant-in-Aid	84,407
15,292	39,300	S Council for the Central Laboratory of the Research Councils – Diamond Synchrotron	80,800
134	175	T Fees payable under the Animals (Scientific Procedures) Act 1986	175
1,957,649	2,399,509	Gross total	2,468,348
80	207	Gross receipts	214
1,957,569	2,399,302	Net total	2,468,134
		Extra receipts payable to the Consolidated Fund	
		In addition to appropriations in aid, there are the following estimated receipts:	
88		*Royal Society*	
315		*Biotechnology and Biological Research Council – Interest on bank account*	
3		*Engineering and Physical Sciences Research Council*	
298		*Medical Research Council*	
8		*Particle Physics and Astronomy Research Council*	
712	0	Total	0

Table B1 Request for Resources: United Kingdom Atomic Energy Authority superannuation funds

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 provision
		Spending in Departmental Expenditure Limits	
		Central Government's own expenditure	
		Function A: Payments of pensions, transfer values and repayments of contributions	
60	**0**	**A1 Resource costs relating to payments of pensions, transfer values and repayments of contributions**	**60**
60		Notional Audit Fee	60
60	**0**	**Gross and Net Total**	**60**
		Spending in Annually Managed Expenditure:	
		Function B: Payments of pensions, transfer values and repayments of contributions	
244,000	**278,000**	**B1 Resource costs relating to payments of pensions, transfer values and repayments of contributions**	**275,000**
156,000	193,000	(1) Increase in value of liability due to interest on scheme liabilities	188,000
76,000	78,000	(2) Current Service Cost (increase in present value of scheme liabilities expected to arise from employee service in the current period)	80,000
12,000	7,000	(3) Increase in value of liability arising from current service cost, past service cost, group and individual transfers and added years	7,000
		Less:	
17,100	**28,775**	**BZ Appropriations in aid**	**30,000**
15,600	21,700	(1) UKAEA employees' contributions	22,500
500	75	(2) UKAEA employers' contributions	500
1,000	7,000	(3) UKAEA transfer values received	7,000
226,900	**249,225**	**Net total**	**245,000**
244,060	**278,000**	**Gross total**	**275,060**
17,100	**28,775**	**Gross receipts**	**30,000**
226,960	**249,225**	**Net total**	**245,060**
		Payments In Respect of Provisions (AME)	
136,347	146,400	(1) Payment of pensions etc Includes lump sums and annual pensions for age and ill-health retirements, lump sums on death, and dependants pensions	148,400
9,200	9,200	(2) Payment of transfer values Payment made when former members of the schemes join a new employer's occupational pension scheme or are transferred back to the State Additional Pension Scheme. The transfer value is based on the members' accrued pension rights at the date of terminating employment covered by the schemes.	9,200
400	400	(3) Repayment of contributions	400
145,947	**156,000**	**TOTAL EXPENDITURE IN RESPECT OF PROVISIONS**	**158,000**
15,664	**0**	**Extra receipts payable to the Consolidated Fund**	**0**
		In addition to appropriations in aid, there are the following estimated receipts.	
15,664		Receipts not authorised to be used as appropriations in aid	

B2 STATEMENT OF CONTINGENT OR NOMINAL LIABILITIES

Statute	Nature of liability	Amount outstanding at 31.3.2002	Amount outstanding at 31.3.2003
	STATUTORY LIABILITIES CHARGED TO DEPARTMENTAL ESTIMATES	**£ million**	**£ million**
British Aerospace Act 1980, Section 9	BAe: Liabilities immediately prior to privatisation. The Government assumed ultimate responsibility for any outstanding liabilities of British Aerospace existing immediately prior to its Privatisation on 18 February 1981. The Government would only become responsible in the event of a formal winding up of BAe or an order to wind up the company by the Court under the Companies Act.	Unquantifiable	Unquantifiable
Nuclear Installations Act 1965, Sections 16 to 18, as amended by the Energy Act 1983	Statutory liability for third party claims in excess of the operator's liability in the event of a nuclear accident in the UK.	up to 140 (approximately per incident)	up to 140 (approximately per incident)
Atomic Energy Authority Acts 1954 and 1971	Indemnities given to UKAEA by the Secretary of State to cover certain indemnities given by UKAEA to carriers and British Nuclear Fuels against certain claims for damage caused by Nuclear matter in the course of carriage.	Unquantifiable	Unquantifiable
Coal Industry Act 1994, Schedule 5, Paragraph 2(9)	Deeds of guarantee dated 31 October 1994 in respect of BCC Pension Schemes (MPS and British Coal Staff Superannuation Scheme) in which the Secretary of State agrees to meet a deficiency in the Schemes' ability to fund pension benefits laid down in the Schemes.	Unquantifiable	Unquantifiable
Industrial Development Act 1982, Section 8	A liability under the Department's SFLG on outstanding guarantees for loans granted over, approximately, the past seven years.	86.3	116.3
Companies Act 1985, Section 256 (as amended by the Companies Act 1989)	A guarantee has been given to the FRC that if the amount held in the Legal Costs Fund falls below £1m in any year, an additional grant will be made to cover legal costs subsequently incurred that year.	Unquantifiable	Unquantifiable
Industry Act 1972, Section 10	Home Shipbuilding Credit Guarantee Scheme guarantees to banks in respect of loans made to UK ship owners for the construction, completion or alteration of ships and offshore installations.	140	Unquantifiable
Outer Space Act 1986	The Outer Space Act (1986) gives the Secretary of State the power to licence UK companies and nationals who intend to procure and/or operate in space objects. Before issuing a licence, BNSC requires evidence of third party liability insurance of at least £100m. Any liability on the Government will therefore only arise if a claim is in excess of £100m. In addition, the Governor of Cayman Islands has also issued an Exemption to Sea Launch for their test launch in March 1999, under the Act as extended to Cayman Islands in 1998. This is the first time the Act has been used for launchers rather than satellites. BNSC has issued the following licences: two to BSkyB, 12 to Surrey University, one to British Aerospace Ltd, seven to Matra Marconi Space Ltd, two to Telenor UK Ltd, one to INMARSAT, and four to SERC. Additionally, the Governor of Hong Kong has issued two licences to AsiaSat Ltd and two to AIT Satellite Company Ltd under the 1986 Act as extended to Hong Kong in 1990. The Governor of Gibraltar has also issued a licence to GE (Gib) Communications Ltd under the Act as extended to Gibraltar in 1996.	Unquantifiable	Unquantifiable

Statute	Nature of liability	Amount outstanding at 31.3.2002	Amount outstanding at 31.3.2003
Coal Industry Act 1994	Liabilities for various health-related and other payments to former employees of BCC.	5,285	3,956
Industrial Development Act 1982, Section 8	Liability to make payments, under the Iron and Steelworkers Extra Rehabilitation Benefits Scheme, to former Corus workers made redundant.	15	2.3
	NON-STATUTORY LIABILITIES CHARGED TO DEPARTMENTAL ESTIMATES		
	Treaty with the French Government relating to the Concorde programme. The Government stands behind those companies involved in the manufacture and supply of services and other support to the aircraft. To the extent of any successful claims in respect of the manufacturers' product liability for losses involving British owned and operated aircraft, the Government would ensure payments of claims that exceeded insurance cover against liability.	Unquantifiable	Unquantifiable
	Assurance that, subject to Parliamentary approval of any expenditure entailed, the Government would meet any net liabilities of British Shipbuilders (BS) as recorded in their Accounts. Beyond this general commitment, and subject to the same caveats, more specific assurances have been given to meet contingent liabilities associated with certain of BS's financial guarantees.	21	Unquantifiable
	Costs of meeting waste management and decommissioning liabilities at UKAEA sites and certain similar liabilities of the UKAEA at BNFL sites.	8,500 (approx.)	9,200 (approx.)
	Letter of comfort to AEA Technology who, under the terms of a collaboration agreement on a European project for underground gasification of coal, accept joint and several liability.	Unquantifiable	Unquantifiable
	Financial undertaking from the Government to BNFL in connection with the transfer of the Government's shareholding in Magnox Electric Plc to BNFL on 30 January 1998.	26,000	26,700
	Deed of indemnity in respect of potential liabilities vested in National Grid Company under a CEGB/EdF protocol that governs responsibilities in respect of the interconnector linking England and France.	Up to 200	Up to 200
	Government is committed to the payment of a subscription of £4.48m to the First Account of the Common Fund for Commodities, half of which is in the form of Promissory Notes callable following the coming into operation of the first Account.	2.24	2.24
	Government is committed to the payment of a subscription of £1.96m to the First Account of the Fund, in the event that the Fund is unable to meet its liabilities in respect of First Account operations.	1.96	1.96
	The UK as one of the contracting states has a potential liability under Article 40 of the European Patent Convention of 1973.	Unquantifiable	Unquantifiable
	The UK as a contracting state to the Patent Co-operation Treaty of 1970 has a potential liability under Article 57 of the Treaty.	Unquantifiable	Unquantifiable
	Indemnity given to the police. The HO's Police Information Technology Organisation provides the DTI's Legal Services Directorate with access to data from the Police National Computer. The DTI has indemnified the police against any liabilities that they might incur as a result of providing that access.	Unquantifiable	Unquantifiable

Statute	Nature of liability	Amount outstanding at 31.3.2002	Amount outstanding at 31.3.2003
	"Back end" costs of decommissioning nuclear facilities for the Central Laboratory of the RCs and the Medical RC.	9.49	6.66
	The Biotechnology and Biological Sciences RC (BBSRC), formerly the Agricultural and Food RC, has a contingent liability to meet the redundancy costs of BBSRC employees attached to Horticultural Research International who are made redundant.	15	15
	Radiation Compensation Scheme and Health Mortality Programme Agreement.	0.3	0.4
	Further Incidents/Accidents or insurance claim for exposure to ionising radiation pursued outside the existing scheme.	Unquantifiable	Unquantifiable
	There is a very remote possibility that three satellites in orbit belonging to PPARC/SERC may collide with other satellites or aircraft before being removed from orbit. There is also the potential that these satellites could cause damage to the surface of the earth. If PPARC were shown to be at fault for this damage, a liability would arise against the Government. The possibility of this arising is extremely remote.	Unquantifiable	Unquantifiable
	UK's share of debts of CERN (the European organisation for nuclear research) liabilities.	32	32
	Local Network indemnities issued.	73	72.1
	Various constructive obligations relating to the restructuring of BE.	0	3,046
	As part of a financing package to Royal Mail Group, the Department has agreed to buy two bonds issued by the company, one of £200m and one of £300m. The company will give the Department three to six months' notice before it issues these bonds.	0	500
	Various other support measures for the Post Office Network are expected to become effective from 2003-04, including addressing the historic debt of the former Post Office Ltd, support for the rural post office network and provision of working capital for cash at post offices, cash depots and in transit.		

B3 RESEARCH COUNCILS' GRANT-IN-AID

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Biotechnology and Biological Sciences Research Council

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
		Gross expenditure	
7,000	**7,500**	**Central Administration and Expenses**	**8,000**
2,300	**1,300**	**Restructuring/Superannuation**	**130**
75,200	**76,000**	**Grants and Contracts to Research Institutes**	**79,071**
127,479	**141,991**	**Grants for Research in Universities and Other Bodies**	**148,192**
	124,791	a) Current	128,192
	17,200	b) Capital	20,000
30,100	**30,700**	**Postgraduate Awards**	**35,177**
200	**200**	**International Subscriptions**	**200**
		Non–Cash Items	**13,061**
		Cost of Capital and Depreciation	13,061
242,279	**257,691**	**Total Gross Recurrent Expenditure**	**283,831**
21,250	**18,427**	**Major Capital Expenditure**	**19,090**
	18,177	a) Institutes etc.	18,690
	250	b) Administration	400
263,529	**276,118**	**Total Gross Expenditure**	**302,921**
		Financed by:	
252,629	**267,918**	**Resource/Capital Budget**	**287,571**
9,000	**5,600**	**Current Receipts**	**5,100**
	4,880	a) Other Research Councils	
	720	b) Miscellaneous Receipts	
1,900	**2,600**	**Capital Receipts**	**10,250**
263,529	**276,118**	**Total**	**302,921**

Note

Grant in Aid	
241,510	267,649

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Economic and Social Research Council

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
5,616	**4,960**	**Central Administration and Expenses**	**4,939**
207	**220**	**Superannuation**	**220**
		Grants for Research in Universities and other bodies and Research Dissemination	
52,361	61,715	(a) Current	76,405
1,259	3,200	(b) Capital	3,200
23,566	**24,728**	**Postgraduate Awards**	**31,130**
155	**375**	**International Subscriptions**	**250**
83,164	**95,198**	**Total Gross Recurrent Expenditure**	**116,144**
182	**993**	**Major Capital Expenditure**	**1,780**
83,346	**96,191**	**Total Gross Expenditure**	**117,924**
		Financed by:	
77,918	**94,477**	**Resource/Capital Budget**	**103,967**
		Current Receipts	
2,216	2,890	(a) Government Departments	1,752
2,995	4,361	(b) NDPBs	4,500
217	100	(c) Others	100
0	**0**	**Transfers from Reserves**	**7,605**
83,346	**101,828**	**Total**	**117,924**

Note:

Excludes Joint Infrastructure Fund (JIF).

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Engineering and Physical Sciences Research Council

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
		Gross Expenditure	
16,965	**22,100**	**Central Administration**	**17,810**
330	**500**	**Restructuring**	**700**
3,190	**3,050**	**CCLRC**	**3,630**
366,230	**286,080**	**Grants for Research in Universities and Other Bodies**	**354,790**
327,776	251,930	a) Current	324,790
38,454	34,150	b) Capital	30,000
98,320	**107,170**	**Postgraduate Awards**	**113,200**
15,790	**16,010**	**Other Expenditure on Research**	**20,190**
14,420	**170**	**International Subscriptions**	**170**
0	**10,730**	**Non-cash Items**	**1,600**
515,245	**445,810**	**Total Gross Recurrent Expenditure**	**512,090**
		Major Capital Expenditure	
395	200	a) Central Administration	200
0	0	b) Other Expenditure on Research	700
515,640	**446,010**	**Total Gross Expenditure**	**512,990**
		Financed by:	
498,510	**468,400**	**Resource/Capital Budget**	**497,310**
		Current Receipts	
7,664	6,012	a) Government Departments	5,880
5,833	6,585	b) Other Research Councils	3,540
0	2,858	c) Other Bodies	5,190
190	200	d) Restructuring	200
510	514	e) Other Operating Receipts	0
0	**0**	**Capital Receipts**	**0**
0	**0**	**Transfer to Reserves**	**0**
512,707	**484,569**	**Total**	**512,120**

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Medical Research Council

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
		Gross Expenditure	
13,500	**14,500**	**Central Administration**	**15,400**
1,362	**4,400**	**Restructuring**	**4,000**
229,294	**242,701**	**Council Institutes. Establishments and Other Staff**	**277,484**
8,040	**2,562**	**Grants and Contracts to Research Institutes and Other Bodies**	**2,594**
1,404	316	a) CCLRC	562
6,636	2,246	b) Others	2,032
141,911	**130,038**	**Grants for Research in Universities and Other Bodies**	**124,456**
127,877	116,538	a) Current	121,503
14,034	13,500	b) Capital	2,953
45,017	**45,900**	**Postgraduate Awards**	**41,500**
9,547	**9,500**	**International Subscriptions**	**10,000**
7,240	**8,600**	**Commercial Fund**	**10,900**
455,911	**458,201**	**Total Gross Recurrent Expenditure**	**486,334**
		Major Capital Expenditure	
0		a) Central Administration	0
20,366	24,057	b) Institutes	28,100
476,277	**482,258**	**Total Gross Expenditure**	**514,434**
		Financed by:	
451,052	**428,658**	**Resource/Capital Budget**	**458,534**
51,889	45,000	**Current Receipts**	**45,000**
20,465	0	a) Government Departments	0
3,613	3,000	b) Commissions from the EU	3,000
27,811	42,000	c) Other	42,000
15,118	**16,180**	**Commercial Fund Receipts**	**18,770**
338	**0**	**Capital Receipts**	**0**
-42,140	**-7,580**	**Transfer to/from Reserves**	**-7,870**
476,257	**482,258**	**Total**	**514,434**
Note			
Grant in Aid			
365,136	408,119		408,208

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Natural Environment Research Council

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
		Gross Expenditure	
4,249	**4,784**	**Central Administration**	**4,786**
3,083	3,556	NERC Central Administration	3,714
1,003	928	Joint Services provided to other Councils	1,072
163	300	Swindon Office refurbishment	0
2,014	**3,960**	**Staff Restructuring**	**2,277**
128,111	**143,457**	**NERC Research Centres, Services and Facilities (incl Collaborative's)**	**143,709**
2,884	**2,373**	**Grants and Contracts to CCLRC**	**2,692**
100,582	**103,578**	**Grants and contracts for Research in Universities and Other Bodies**	**104,228**
77,441	90,790	a) Current	93,028
6,900	6,878	b) Capital (excluding JIF)	7,000
16,241	5,910	c) Joint Infrastructure Fund (JIF)	4,200
18,740	**20,228**	**Postgraduate Training Awards**	**20,138**
2,150	**47,854**	**International Subscriptions 1.**	**41,883**
30,548	**12,472**	**Non-cash items**	**12,711**
13,310	13,425	a) Depreciation	14,374
7,531	6,342	b) Cost of capital/excess finance change	7,092
9,707	-7,295	c) Provisions	-8,755
289,278	**388,706**	**Total Gross Recurrent Expenditure**	**332,424**
17,713	**28,761**	**Major Capital Expenditure**	**33,302**
19	50	a) NERC Central Administration	50
17,694	28,711	b) Research Centres, Services and Facilities	33,252
0		c) Joint Services	
306,991	**367,467**	**Total Gross Expenditure**	**365,726**
		Financed by:	
241,913	**317,206**	**Resource/Capital Budget**	**317,042**
65,065	**50,231**	**Current Receipts**	**46,988**
15,155	14,422	a) Commissions from Government Departments	13,238
3,837	4,980	b) Commissions from the EU	4,101
16,573	18,988	c) Other Commissions	17,983
750	878	d) From Other Councils for Joint Services	1,022
12,509	5,053	e) Other Receipts	6,444
16,241	5,910	f) Joint Infrastructure Fund (including HEFCE contributions)	4,200
13	**30**	**Capital Receipts**	**1,696**
		Transfer To Reserves	
306,991	**367,467**	**Total Income**	**365,726**

Notes

1. The considerable increase in International Subscriptions is due to the European Space Agency funding which started 2003-04.
2. 2004-05 capital includes the large facilities budget on the Charles Darwin replacement.

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Particle Physics and Astronomy Research Council

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
		Gross Expenditure	
4,834	**5,068**	**Administration** (including joint services)	**5,461**
501	**662**	**Restructuring**	**1,061**
19,633	**14,604**	**Council Institutes and Establishments**	**15,935**
32,506	**40,024**	**Grants and Contracts to Other Research Bodies – including CCLRC & CERN**	**38,047**
69,016	**79,081**	**Grants for Research in Universities and Other Bodies**	**76,294**
49,570	52,582	a) Current	54,459
11,992	19,085	b) Joint Infrastructure Fund (including HEFCE contributions)	14,142
7,454	7,414	c) Capital	7,693
12,058	**13,351**	**Postgraduate Training Awards**	**14,663**
116,001	**138,878**	**International Subscriptions**	**140,122**
6,225	**17,200**	**Other Expenditure on Research**	**-6,898**
260,774	**308,868**	**Total Gross Recurrent Expenditure**	**284,685**
10,011	**6,984**	**Major Capital Expenditure**	**7,899**
270,785	**315,852**	**Total Gross Expenditure**	**7,899**
		Financed by:	
248,986	**286,745**	**Departmental Expenditure Limit (including AME for 2002-03)**	**271,220**
	included in DEL	**Estimated International Compensation**	**2,837**
21,792	**28,987**	**Current Receipts**	**18,447**
21,792	28,987	External income (including Joint Infrastructure Fund and HEFCE contributions)	18,447
7	**120**	**Capital Receipts**	**100**
270,785	**315,852**	**Total**	**292,584**

Table B3 Research Councils' Grant-in-Aid

Research Council Tables analysis of expenditure by type

Council for the Central Laboratory of the Research Councils

All in £000

2002–03 Outturn	2003–04 Total Provision		2004–05 Provision
		Gross Expenditure	
137,385	**165,262**	**Programme and Facility Operating Costs**	**177,222**
137,385	**165,262**	**Total Gross Recurrent Expenditure**	**177,222**
20,320	**19,632**	**Capital Expenditure**	**24,126**
157,705	**184,894**	**Total Gross Expenditure**	**201,348**
		Financed by:	
42,582	**131,464**	**Resource/Capital Budget**	**127,406**
		Current receipts	
85,882	38,176	a) Research Councils	46,642
4,562	5,118	b) Other Government Departments	4,521
24,501	20,497	c) Other sources	22,779
178		**Capital receipts**	
157,705	**195,255**	**Total**	**201,348**

B4 RESEARCH COUNCILS' LONG TERM PROJECTS

Table B4 Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the estimates

Biotechnology and Biological Sciences Research Council

				£ thousand at 2003–04 prices Current estimate of expenditure			
Project	Year of start/ original estimate of year of completion	Current estimate of year of completion	Original estimate of expenditure	Total	Spend in past years	Estimated provision in 2003–04	To be spent in future years
I Research Institutes							
(a) Land and Buildings							
Schemes in progress on 1 April 2004							
Institute for Animal Health							
Pirbright ISO 10 (Formerly ISO 7)	2001-02/2003-04	2004-2005	3,000	6,200	4,200	2,000	
Pirbright Redevelopment (Incl. ISO 11)	2003-2004	2006-2007	8,000	27,000	500	7,500	19,000
NPU Building – Edinburgh	2003-2004	2007-2008	2,300	8,700	0	200	8,500
Institute of Food Research							
Refurbishment	2001-02/2004-05	2005-2006	2,500	2,500	1,500	500	500
Schemes costing less than £400,000						4,809	
(b) Plant,Machinery etc							
Items costing less than £400,000						3,681	
I Total						**18,690**	
II BBSRC Office							
(a) Land and Buildings							
Schemes costing less than £400,000						0	
(b) Plant,Machinery etc							
Items costing less than £400,000						400	
II Total						**400**	
Gross Total						**19,090**	
Less:							
Capital Receipts							
Sale of Land and Buildings						10,250	
Net total						**8,840**	

NB. Figures in this table are based on projected and outturn cash prices,deflated to 2003-04 prices using the GDP deflator.

Table B4 Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the estimates

Medical Research Council

						£ thousand at 2003-04 prices Current estimate of expenditure			
Project	Year of start/ original estimate of year of completion		Current estimate of year of completion	Original estimate of expenditure	Total	Spend in past years	Estimated provision in 2004–05	To be spent in future years 2005–06	To be spent in future years 2006–07
a) Land and building schemes costing > £400,000 and in progress at 1 April 2001									
Island site – Dunn building	1994/95	1997/98	2003/04	9,700		9,244	0	0	0
Island site – P1 refurb	1998/99	2000/01	2002/03	2,695		2,617	0	0	0
Island site – P2 refurb 1	1998/99	2001/02	2002/03	5,725		7,019	0	0	0
Accommodation for HNR	1998/99	2001/02	2002/03	1,950		1,950	0	0	0
CBSU extension	1998/99	2000/01	2002/03	2,100		2,178	0	0	0
SPF building – NIMR	2000/01	2002/03	2002/03	2,400		2,209	0	0	0
Animal house – Harwell 2	2000/01	2003/04	2004/05	18,100		17,200	900	0	0
Canterbury 3	2000/01	2003/04	2003/04	3,175		3,175	0	0	0
NIMR building projects	2001/02	2001/02	2003/04	1,260		1,217	0	0	0
Nicotera – Toxicology	2001/02	2002/03	2002/03	528		489	0	0	0
LMB lecture theatre	2001/02	2002/03	2003/04	2,500		2,505	0	0	0
HIU Building, Oxford	2003/04	2003/04	2003/04	500		500	0	0	0
NIMR Physical Biochemistry	2003/04	2005/06		660		240	395	15	0
IHR Animal House Refurb	2003/04	2005/06		1,630		150	1,380	100	0
EEU – Temparaty accommodation	2003/04	2004/05		500		175	325	0	0
EEU – CIDEM Accommodation	2004/05	2005/06		6,500		250	2,200	3,275	0
London Units – Freezer store project	2003/04	2005/06		590		100	475	15	0
CSC – Animal facility	2004/05	2006/07		10,000		0	1,700	6,300	2,000
Geneservice – New accommodation	2004/05	2005/06		2,000		0	1,000	1,000	
HGU East Wing refurb – Phase IV	2003/04	2005/06		1,270		500	740	30	
HRSU – contribution to new accommodation	2005/06	2006/07		3,000	0	0	0	1,500	1,500
				76,783	**0**	**51,493**	**9,115**	**12,235**	**3,500**
Schemes costing < £400,000							2,000		
b) Plant and machinery and permanent equipment									
Items costing < £400,000							12,285		
Items costing > £400,000							0		
Total							**23,400**		
Less receipts from the sale of assets							0		
Net total							**23,400**		

Notes:
1 Some of the above costs may be recovered from the building contractors
2 Revised costs and tenure of build included, plus since latest report, all equipment costs
3 This statement shows MRC costs only

Table B4 Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the estimates (continued)

Natural Environment Research Council

£ thousand at 2003–04 prices

Project	Year of start/ original estimate of year of completion	Current estimate of year of completion	Original estimate of expenditure	Current estimate of expenditure Total	Spend in past years	Estimated provision in 2004–05	To be spent in future years
Research establishments of the Council							
Schemes in progress on 1 April 2002							
(a) Land and Buildings							
CEH Lancaster Project Phase 1&2	2000-01/2004-05	2004-05	10,265	13,971	12,390	1,581	0
CEH Restructuring	2002-03/2005-06	2005-06	4,463	4,902	351	2,600	1,951
POL/Liverpool Project	2001-02/2003-04	2004-05	4,248	5,472	5,129	343	0
Bonner Laboratory replacement, Antarctica	2002-03/2003-04	2004-05	3,165	3,303	3,250	53	0
New Antarctic Base – Halley 6	2003-04/2005-06	2006-07	23,069	23,069	82	100	22,887
Items costing less than £400,000						367	
(a) Total						**5,044**	
(b) Plant and Machinery							
CEH Environmental Chemistry	2001-02/2003-04	2006-07	1,687	4,137	1,651	850	1,636
Research Centre Infrastructure Fund							
BGS Seabed Deployed Powered Coring Equipment	2002-03/2003-04	2004-05	1,225	1,196	796	400	0
BGS/BAS Twin Otter aircraft for atmospheric research (GASIN)	2002-03/2004-05	2004-05	1,307	1,248	859	389	0
BGS HAEMHF	2003-04/2004-05	2004-05	1,537	1,324	1,080	244	0
BAS Airborne Science Instrumentation (ASIN)	2002-03/2003-04	2004-05	930	991	891	100	0
BAS Data, Information & Systems Enhancement (DISE)	2002-03/2003-04	2004-05	1,553	1,488	928	560	0
CEH GRID	2001-02/2003-04	2004-05	1,499	1,219	969	250	0
CEH (Awqard) Field Instrumentation, Telemetry & Database	2001-02/2003-04	2004-05	1,491	1,512	1,097	415	0
SOC	2001-02/2004-05	2004-05	1,554	3,257	2,954	303	303
Tranche 1 & 2 SR2002 (addition to NERC baseline SR2002 – ongoing)	2004-05/2007-08	2007-08			0	5,732	
Items costing less than £400,000						1,890	
(b) Total						**11,133**	
c) Ships & Aircraft							
Replacement for RRS Charles Darwin	2003-04/2007-08	2007-08	38,899	38,899	307	21,100	17,954
c) Total						**21,100**	
Gross Total						**37,277**	
Less:							
Sales of assets (Capital Income)						1,696	
Net Total						**35,581**	

Figures in this table are based on projected and outturn cash prices deflated to 2003-04 prices using the GDP deflator.

Notes:
Data is sourced from Centre/Survey returns and MFR's.

Note – this table does not reconcile back to Table B3 capital – as the link between the two has been broken.
From this year, B3 should reconcile back to the capital Science Budget, with B4 based on estimated spend. The variance is therefore due to slippage of projects from 2003-04, anticipated virement from resource to capital, partially offset by some, as yet, unallocated science budget.

Table B4 Long-term Research Council capital projects – details of work services costing over £400,000 and reconciliation with the estimates (continued)

Council for the Central Laboratory of the Research Councils

			£ thousand at 2002–03 prices Current estimate of expenditure				
	Year of start/ original estimate of year of completion	Current estimates of year of completion	Original estimate of expenditure	Total	Spend in past years (end March 2003)	Estimated provision in 2003–04	To be spent in future years 2004–05
Council Establishments							
(a) Land and Buildings							
Schemes costing more than £400,000 and in progress at 1 April 2003							
Vulcan Building Upgrade	2000-01/2003-04	2003-04	653	653	653	0	0
R55 Extension	2000-01/2003-04	2003-04	1366	1366	1325	41	0
F&G Block	2000-01/2003-04	2003-04	832	832	690	142	0
New RAL Nursery	2002-03/2003-04	2003-04	670	670	618	52	0
Temporary Offices	2002-03/2003-04	2003-04	561	561	33	528	0
Refurbishment of Computer Hall	2002-03/2003-04	2003-04	1,597	1597	1,206	391	0
R76 Temporary Accommodation	2002-03/2003-04	2003-04	773	773	451	322	0
Warehouse Style Building	2002-03/2004-05	2004-05	4,500	4,500	133	3,171	1,196
TST2 Buildings	2003-04/2006-07	2006-07	26,374	26374	0	2,281	24,093
Schemes costing less than £400,000			1,429	1,429	539	890	0
(b) Plant and Machinery and permanent equipment							
Items costing more than £400,000							
2nd Harmonic	1997-98/2005-06	2005-06	7,000	7,000	4,753	2,247	0
GEM	1997-98/2003-04	2003-04	3,258	3258	3,258	0	0
RFQ	1997-98/2004-05	2004-05	4,471	4,471	3,759	712	0
Beamline 6	1997-98/2003-04	2003-04	3,160	3160	3,099	61	0
Vulcan Upgrade	1999-2000/2003-04	2003-04	3,496	3496	3,496	0	0
Engin X	1999-2000/2003-04	2003-04	2,442	2442	2,412	30	0
Vesuvio	1999-2000/2003-04	2003-04	466	466	444	22	0
Rapid 2	1999-2000/2003-04	2003-04	1,243	1243	1,231	12	0
12.1 Upgrade	1999-2000/2003-04	2003-04	1,499	1499	1,499	0	0
SXD11	2000-01/2003-04	2003-04	951	951	934	17	0
Beamline 11	2000-01/2004-05	2004-05	1,401	1,401	1,270	131	0
Klystron	2001-02/2003-04	2003-04	876	876	746	130	0
Helium 3 Facility	2001-02/2004-05	2004-05	751	572	428	144	179
Everdi	2001-02/2005-06	2005-06	930	368	219	149	562
Merlin Spectrometer	2001-02/2005-06	2005-06	4,622	457	381	76	4,165
Cryogenics Upgrade	2002-03/2003-04	2003-04	753	753	280	473	0
SRS Variable Polarisation	2002-03/2005-06	2005-06	417	417	23	309	85
Target Station 2	2002-03/2007-08	2007-08	74,026	74026	1,310	3,524	69,192
Auto PX Camera	2002-03/2004-05	2004-05	616	616	226	390	0
4GLS	2003-04/2006-07	2006-07	11,500	11500	0	974	10,526
MICE	2003-04/2006-07	2006-07	10,000	10000	0	300	9,700
Items costing less than £400,000							
Various	Various	Various	3650	3,650	2,826	824	
Total					**38,242**	**18,343**	**119,698**
less:							
Receipts from the sale of assets						344	
Net total						**17,999**	

N.B. Figures in this table are based on projected and outturn cash prices deflated to 2003-04 prices using the GDP deflator.

B5 NON-DEPARTMENTAL PUBLIC BODIES

Listed below are those Non-Departmental Public Bodies (NDPBs) sponsored by the Department. Details of the amount of Grant-in-Aid given to these bodies (where appropriate) can be found in tables B1 and B3 (Science Budget). Further information on NDPBs can be found in *Public Bodies 2003*[1], published by the Cabinet Office.

Executive Bodies

Advisory, Conciliation and Arbitration Service (Acas)

British Hallmarking Council

Coal Authority

Consumer Consultative Bodies:

- Consumer Council for Postal Services (Post watch)
- Gas and Electricity Consumer Council (Energy watch)
- National Consumer Council

Competition Commission

Competition Service (new body April 2003)

Design Council

Equal Opportunities Commission

Hearing Aid Council

Research Councils:

- Biotechnology and Biological Sciences Research Council (BBSRC)
- Council for the Central Laboratory of the Research Councils (CCLRC)
- Economic and Social Research Council (ESRC)
- Engineering and Physical Sciences Research Council (EPSRC)
- Medical Research Council (MRC)
- Natural Environment Research Council (NERC)
- Particle Physics and Astronomy Research Council (PPARC)

Regional Development Agencies:

- Advantage West Midlands
- East Midlands Regional Development Agency
- East of England Development Agency
- North West Regional Development Agency
- One North East
- South East England Development Agency
- South West England Development Agency
- Yorkshire Forward

Simpler Trade Procedures Board (SITPRO)

United Kingdom Atomic Energy Authority (UKAEA)

Advisory Bodies

Advisory Committee on Carbon Abatement Technologies (new body October 2003)

Advisory Committee on Cleaner Coal Technology (closed June 2003)

Advisory Group on Basic Technologies Programme

Aerospace Committee

Agriculture and Environment Biotechnology Commission

Business Incubation Fund Investment Panel

Council for Science and Technology

1 Available from www.cabinet-offiice.gov.uk/news/2003/030716_pb2003.asp

Distributed Generation Co-ordinating Group

Energy Advisory Panel (closed July 2003)

Ethnic Minority Business Advisory Forum

Fuel Cell Advisory Panel (closed June 2003)

Fuel Poverty Action Group

Industrial Development Advisory Board

Intellectual Property Advisory Committee

Low Pay Commission

Measurement Advisory Committee

Partnership Fund Assessment Panel (closed December 2003)

Regional Industrial Development Boards

Renewables Advisory Board

Small Business Council

Small Business Investment Task Force

Spectrum Management Advisory Group (closed December 2003)

Sustainable Energy Policy Advisory Board (new body December 2003)

UK National Authority Advisory Group (Reclassified)

Women's National Commission

Tribunals

Central Arbitration Committee

Copyright Tribunal

Employment Appeal Tribunal

Employment Tribunals

Insolvency Practitioners' Tribunal

Persons Hearing Consumer Credit Licensing Appeals

Persons Hearing Estate Agents Appeals

Competition Appeal Tribunal (new body April 2003)

EXPENDITURE PLANS

The following table shows the gross administrative expenditure funded by the DTI for the larger executive NDPBs and tribunals. "Larger" means here a body which has 25 or more staff and which normally relies on Government grant or grant-in-aid for 50% or more of its income, or trades mainly with OGDs. In the case of the Research Councils (RCs), the figures represent their total running costs and include expenditure on research undertaken at their institutes. The RCs' figures are net figures. They therefore exclude expenditure on research work commissioned by Government departments, the EU, etc, and the private sector.

£m	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Outturn	2003-04 Working Provision	2004-2005 Plans	2005-2006 Plans
Science NDPBs									
BBSRC									
Service Providers	58.80	59.90	60.20	64.40	71.20	72.30	75.60	79.10	83.00
Policy Advisers	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.10	1.20
Support and Ohs	3.80	3.90	3.80	3.80	3.80	3.90	4.00	4.10	4.20
Total	**63.60**	**64.80**	**65.00**	**69.20**	**76.00**	**77.20**	**80.60**	**84.30**	**88.40**
ESRC									
Service Providers	1.80	1.90	2.00	2.00	2.10	2.20	2.30	2.30	2.40
Policy Advisers	0.40	0.40	0.40	0.40	0.50	0.60	0.60	0.70	0.80
Support and Ohs	0.40	0.40	0.40	0.40	0.60	0.60	0.60	0.70	0.80
Total	**2.60**	**2.70**	**2.80**	**2.80**	**3.20**	**3.40**	**3.50**	**3.70**	**4.00**
EPSRC									
Service Providers[a]	57.10	21.90	17.10	21.00	21.50	27.20	28.00	19.00	19.00
Policy Advisers	1.90	2.20	2.20	2.20	2.40	2.50	2.60	2.60	2.60
Support and Ohs	7.60	8.00	8.10	6.00	7.10	7.50	7.20	7.20	7.20
Total	**66.60**	**32.10**	**27.40**	**29.20**	**31.00**	**37.20**	**37.80**	**28.80**	**28.80**
MRC									
Service Providers	105.00	105.00	109.40	122.00	123.54	132.10	131.25	148.81	153.35
Policy Advisers	5.90	5.90	6.10	6.90	6.94	7.42	7.37	8.36	8.62
Support and Ohs	7.10	7.10	7.40	8.20	8.30	8.91	8.85	10.03	10.34
Total	**118.00**	**118.00**	**122.90**	**137.10**	**138.78**	**148.43**	**147.47**	**167.20**	**172.31**
NERC									
Service Providers[b]	81.00	80.10	83.70	91.70	93.60	97.50	112.37	117.83	139.72
Policy Advisers	3.10	3.20	3.10	3.10	3.10	3.20	3.63	3.74	4.29
Support and Ohs	5.10	4.60	4.80	5.30	5.40	5.40	6.27	6.38	7.26
Total	**89.20**	**87.90**	**91.60**	**100.10**	**102.10**	**106.10**	**122.27**	**127.95**	**151.27**
PPARC									
Service Providers	43.90	39.80	39.60	44.70	42.47	42.93	43.23	45.02	46.89
Policy Advisers	2.40	2.70	2.50	2.70	2.41	2.69	2.71	2.80	2.89
Support and Ohs	1.80	2.00	1.90	2.00	1.82	1.98	2.05	2.07	2.10
Total	**48.10**	**44.50**	**44.00**	**49.40**	**46.70**	**47.60**	**47.99**	**49.89**	**51.88**
CCLRC[c]									
Service Providers						2.55	16.85	17.42	18.80
Policy Advisers						0.15	0.20	0.29	0.30
Support and Ohs						–	–	–	–
Total						**2.70**	**17.05**	**17.71**	**19.10**
TOTAL SCIENCE	**388.10**	**350.00**	**353.70**	**387.80**	**397.78**	**422.63**	**456.68**	**479.55**	**515.76**

a Since 1998-99 some payments to CCLRC relating to Research grants to HEIs have been excluded from here and included as part of the grants

b In 1998-98 a far higher proportion of the Council's research was undertaken in its own institutes and the trend is expected to continue.

c Prior to 2003-04 most of CCLRC's Government funding came through the other RCs. From 2003-04 it was decided to fund CCLRC directly

£m	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Working Provision	2003-04 Plans	2004-2005 Plans	2005-2006 Plans
NON SCIENCE NDPBs									
Acas[a]									
Service Providers	19.90	20.40	21.60	26.00	28.50	32.60	37.40	39.30	40.00
Policy Advisers	1.00	1.00	1.00	1.20	1.40	1.90	2.50	2.70	2.80
Support and Ohs	3.60	4.10	4.70	4.80	4.70	6.20	7.10	7.30	7.50
Total	**24.50**	**25.50**	**27.30**	**32.00**	**34.60**	**40.70**	**47.00**	**49.30**	**50.30**
Coal Authority									
Service Providers	2.10	2.00	1.90	1.90	1.90	2.40	3.00	3.90	4.00
Policy Advisers	0.30	0.40	0.40	0.40	0.60	0.60	0.60	0.70	0.70
Support and Ohs	1.60	1.80	2.30	2.20	2.50	3.10	4.00	4.40	4.70
Total	**4.00**	**4.20**	**4.60**	**4.50**	**5.00**	**6.10**	**7.60**	**9.00**	**9.40**
Design Council									
Service Providers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Policy Advisers	3.80	5.10	6.80	7.70	6.30	5.10	4.90	5.60	7.10
Support and Ohs	1.70	1.50	1.60	1.70	1.80	1.50	1.60	1.60	1.90
Total	**5.50**	**6.60**	**8.40**	**9.40**	**8.10**	**6.60**	**6.50**	**7.20**	**9.00**
Equal Opportunities Commission									
Service Providers	2.30	2.40	2.60	2.40	2.00	2.43	2.98	2.51	2.51
Policy Advisers	0.70	0.60	0.60	0.80	1.00	1.22	1.49	1.25	1.25
Support and Ohs	2.80	3.00	3.60	5.20	5.80	3.70	4.35	4.25	4.25
Total	**5.80**	**6.00**	**6.80**	**8.40**	**8.80**	**7.35**	**8.82**	**8.01**	**8.01**
Gas Consumers' Council[b]									
Service Providers	1.70	1.70	1.80	1.10					
Policy Advisers	0.10	0.10	0.10	0.10					
Support and Ohs	1.30	1.10	1.60	0.90					
Total	**3.10**	**2.90**	**3.50**	**2.10**					
Gas and Electricity Consumer Council[c]									
Service Providers					8.50	8.30	8.50	9.20	8.30
Policy Advisers					0.20	0.50	0.50	0.50	0.50
Support and Ohs					3.30	3.20	3.40	3.60	3.20
Total				**5.60**	**12.00**	**12.00**	**12.40**	**13.30**	**12.00**
National Consumer Council									
Service Providers	0.90	1.00	1.10	2.10	1.40	0.00	0.00	0.00	0.00
Policy Advisers	0.20	0.20	0.20	0.20	1.10	1.90	1.80	1.30	1.30
Support and Ohs	0.70	0.60	1.20	1.50	2.00	1.50	2.30	2.40	2.40
Total	**1.80**	**1.80**	**2.50**	**3.80**	**4.50**	**3.40**	**4.10**	**3.70**	**3.70**
Consumer Council for Postal Services[d]									
Service Providers					3.00	2.54	3.37	3.42	3.08
Policy Advisers					4.49	3.69	3.96	3.82	3.43
Support and Ohs					2.00	1.96	2.58	2.54	2.29
Total				**1.20**	**9.49**	**8.19**	**9.91**	**9.78**	**8.80**
Competition Commission									
Service Providers	3.00	3.50	4.90	5.30	5.40	10.60	17.00	15.50	17.50
Policy Advisers	0.00	0.00	0.00	0.00	0.00	1.00	1.10	0.50	0.50
Support and Ohs	3.60	3.00	3.20	3.40	4.30	7.70	10.60	7.90	7.40
Total	**6.60**	**6.50**	**8.10**	**8.70**	**9.70**	**19.30**	**28.70**[e]	**23.90**	**25.40**
UKAEA									
Service Providers	7.60	9.30	8.30	8.40	8.60	8.10	7.20	6.90	6.90
Policy Advisers	0.30	0.30	0.30	0.30	0.30	0.50	0.60	0.60	0.60
Support and Ohs	24.90	25.50	27.50	27.60	28.70	29.50	32.60	32.50	32.40
Total	**32.80**	**35.10**	**36.10**	**36.30**	**37.60**	**38.10**	**40.40**	**40.00**	**39.90**

a Acas figures exclude the costs of the Central Arbitration Committee, a tribunal NDPB
b The Gas Consumers' Council was abolished November 2000. Its work was taken over by the Gas and Electricity Consumer Council
c The Gas and Electricity Consumer Council was established in November 2000.
d Figures are for 15 months ending March 2002 and include set up costs.
e Figure includes relocation costs for the Competition Commission.

£m	1997-98 Outturn	1998-99 Outturn	1999-2000 Outturn	2000-01 Outturn	2001-02 Outturn	2002-03 Working Provision	2003-04 Plans	2004-2005 Plans	2005-2006 Plans
Regional Development Agencies[a]									
Advantage West Midlands			9.20	8.00	9.30	10.20	17.60	17.40	18.60
East Midlands Development Agency			8.20	7.20	6.90	8.10	14.00	14.40	14.80
East of England Development Agency			4.40	4.70	6.20	12.20	8.20	8.90	8.80
North West Development Agency			21.50	14.10	19.00	27.80	39.30	49.50	61.70
One North East			17.30	10.50	11.60	18.40	17.60	18.00	18.50
South East of England Development Agency			6.80	6.10	3.30	13.50	16.20	15.80	16.40
South West of England Development Agency			10.40	8.00	9.00	9.60	15.20	15.60	16.40
Yorkshire Forward			12.10	8.30	10.80	12.30	18.00	18.10	18.20
Total			**89.90**	**66.90**	**76.10**	**112.10**	**146.10**	**157.70**	**173.40**
TOTAL NON SCIENCE	**84.10**	**88.60**	**187.20**	**178.90**	**205.89**	**253.84**	**311.33**	**321.89**	**339.91**

a The Regional Development Agencies were formed in April 1999. No breakdown of the figures are available.
From 2002-03 onwards the RDA's administration costs form part of the new single budget arrangements. The RDAs will submit proposals for their administration costs to the Secretary of State in their Corporate Plans.

B6 SENIOR CIVIL SERVICE SALARIES

Pay Range	Number of SCS staff within the Range, DTI
Below £50,000	0
£50,000 – £54,999	13
£55,000 – £59,999	23
£60,000 – £64,999	29
£65,000 – £69,999	40
£70,000 – £74,999	41
£75,000 – £79,999	17
£80,000 – £84,999	12
£85,000 – £89,999	12
£90,000 – £94,999	16
£95,000 – £99,999	6
£100,000 – £104,999	3
£105,000 – £109,999	1
£110,000 – £114,999	4
£115,000 – £119,000	1
£120,000 – £124,999	1
£125,000 – £129,999	1
£130,000 – £134,999	1
£135,000 – £139,999	0
£140,000 – £144,999	1
£145,000 – £149,999	1

B7 DTI PUBLIC APPOINTMENTS

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Advantage West Midlands				
Julie Haney	Member	14/12/2003 – 13/12/2006	7,775	Part time
Roger Lawrence	Member	14/12/2003 – 13/12/2006	7,775	Part time
Michael Oakes	Member	14/12/2003 – 13/12/2006	7,775	Part time
Norman Price	Deputy (Chairman)	15/04/2003 – 13/12/2006	15,550	Part time
David Smith	Member	14/12/2003 – 13/12/2006	7,775	Part time
Michael John Howard Sterling	Member	26/05/2003 – 13/12/2006	7,775	Part time
Advisory Committee on Carbon Abatement Technologies				
Roy Banks	Member	18/11/2003 – 17/11/2008	0	Part time
Anthony Espie	Member	18/11/2003 – 17/11/2008	0	Part time
Michael Evans	Member	18/11/2003 – 17/11/2008	0	Part time
John Michael Farley	Member	18/11/2003 – 17/11/2008	0	Part time
Paul Freund	Member	18/11/2003 – 17/11/2008	0	Part time
Celia Greaves	Member	22/12/2003 – 17/11/2008	0	Part time
John Griffiths	Member	18/11/2003 – 17/11/2008	0	Part time
Allan Jones	Member	18/11/2003 – 17/11/2008	0	Part time
John McMullan	Member	18/11/2003 – 17/11/2008	0	Part time
Nicholas Otter	Member	18/11/2003 – 17/11/2008	0	Part time
Brian Ricketts	Member	18/11/2003 – 17/11/2008	0	Part time
Nicholas Riley	Member	18/11/2003 – 17/11/2008	0	Part time
Christopher Young	Member	18/11/2003 – 17/11/2008	0	Part time
Aerospace Committee				
Allan Cook	Member	15/07/2003 – 14/07/2006	0	Part time
Sally Howes	Member	15/07/2003 – 14/07/2006	0	Part time
John Wall	Member	15/07/2003 – 14/07/2006	0	Part time
Agriculture & Environment Biotechnology Commission				
Anna Bradley	Member	01/02/2003 – 31/01/2005	4,800	Part time
Helen Browning	Member	01/02/2003 – 31/01/2006	4,800	Part time
David Buckeridge	Member	01/04/2003 – 31/03/2006	4,800	Part time
David Carmichael	Member	01/02/2003 – 31/01/2005	4,800	Part time
Phil Dale	Member	01/02/2003 – 31/01/2006	4,800	Part time
Ed Dart	Member	01/02/2003 – 31/01/2005	4,800	Part time
Matthew Freeman	Member	01/02/2003 – 31/01/2006	4,800	Part time
John Gilliland	Member	01/02/2003 – 31/01/2005	4,800	Part time
Malcolm Grant	Chairman	01/02/2003 – 31/01/2006	7,896	Part time
Robin Grove-White	Member	01/02/2003 – 31/01/2006	4,800	Part time
Rosie Hails	Member	01/02/2003 – 31/01/2005	4,800	Part time
Judith Hann	Member	01/02/2003 – 31/01/2006	4,800	Part time
Julie Hill	Deputy (Chairman)	01/02/2003 – 31/01/2006	4,800	Part time
Edith Iweajunwa	Member	01/02/2003 – 31/01/2005	4,800	Part time
Derek Langslow	Member	01/02/2003 – 31/01/2006	4,800	Part time
Keekok Lee	Member	09/10/2003 – 08/10/2006	4,800	Part time
Jeff Maxwell	Member	01/02/2003 – 31/01/2005	4,800	Part time
Sue Mayer	Member	01/02/2003 – 31/01/2006	4,800	Part time
Paul Rylott	Member	01/04/2003 – 31/03/2006	4,800	Part time
Justine Thornton	Member	01/02/2003 – 31/01/2005	4,800	Part time

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Biotechnology and Biological Sciences Research Council				
David K Brightman	Member	01/08/2003 – 31/07/2006	6,000	Part time
Christopher Gilligan	Member	01/04/2003 – 31/03/2006	6,000	Part time
Douglas Kell	Member	01/04/2003 – 31/03/2006	6,000	Part time
Peter Ringrose	Chairman	01/05/2003 – 30/04/2007	14,400	Part time
Competition Commission				
Tony Foster	Non executive member	01/09/2003 – 31/08/2007	350 per day	Part time
Peter John Freeman	Deputy (Chairman)	06/05/2003 – 05/06/2011	113,520	Full time
Nicholas Garthwaite	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Cosmo Graham	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Graham Hadley	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Elizabeth Monck	Member	27/03/2003 – 26/03/2007	300 per day	Part time
David Parker	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Jeremy Seddon	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Martyn Webster	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Alan Young	Member	27/03/2003 – 26/03/2007	300 per day	Part time
Competition Service				
Janet Rubin	Non-executive member	15/09/2003 – 14/09/2007	350 per day	Part time
Consumer Council for Postal Services				
Peter Carr	Chairman	01/12/2003 – 30/11/2004	45,000	Part time
Council for the Central Laboratory of the Research Council				
Mike Cruise	Member	01/08/2003 – 31/03/2007	6,000	Part time
Graham J Davies	Member	01/08/2003 – 31/03/2007	6,000	Part time
Peter Gregson	Member	01/08/2003 – 31/03/2007	6,000	Part time
Anne Kensall	Member	01/08/2003 – 31/03/2007	6,000	Part time
Eastern Region Industrial Development Board				
David Richard Baggott	Member	01/01/2003 – 31/12/2005	0	Part time
Robert Downing	Member	01/07/2003 – 03/06/2006	0	Part time
Terence Ralph Hill	Member	01/07/2003 – 30/06/2006	0	Part time
Fiona Hoskins	Member	01/08/2003 – 31/07/2005	0	Part time
Shaz Khan	Member	01/01/2003 – 31/12/2005	0	Part time
Hugh Lawson	Member	01/01/2003 – 31/12/2005	0	Part time
Elaine Oddie	Chairman	01/07/2003 – 30/06/2004	0	Part time
Laurence John Russen	Member	01/07/2003 – 30/06/2006	0	Part time
Mike Smith	Member	01/01/2003 – 31/12/2005	0	Part time
East Midlands Development Agency				
Valerie Dwyer	Member	12/05/2003 – 13/12/2006	7,775	Part time
East of England Development Agency				
Richard Ellis	Chairman	14/12/2003 – 13/12/2006	48,876	Part time
Patricia Holtom	Member	14/12/2003 – 13/12/2006	7,775	Part time
Karen Livingstone	Member	14/12/2003 – 13/12/2006	7,775	Part time
John Snyder	Member	14/12/2003 – 13/12/2006	7,775	Part time
Timothy Wilson	Member	14/12/2003 – 13/12/2006	7,775	Part time
Economic & Social Research Council				
Alan Alexander	Member	01/08/2003 – 31/07/2006	6,000	Part time
Helen Dent	Member	01/08/2003 – 31/07/2006	6,000	Part time
Fiona Devine	Member	31/01/2003 – 31/07/2005	6,000	Part time
Ian Diamond	Chief Executive	01/01/2003 – 31/12/2006	81,800	Full time
Jonathan Adair Turner	Member	12/08/2003 – 31/07/2006	6,000	Part time
Andrew Winckler	Member	01/08/2003 – 31/07/2006	6,000	Part time

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Engineering & Physical Science Research Council				
John Archer	Member	01/04/2003 – 31/03/2005	6,000	Part time
John Chapman	Member	01/04/2003 – 31/03/2006	6,000	Part time
Susan Gibson	Member	01/04/2003 – 31/03/2006	6,000	Part time
Peter Grindrod	Member	01/04/2003 – 31/03/2004	6,000	Part time
Julia Higgins	Chairman	01/04/2003 – 31/03/2007	14,400	Part time
David Hughes	Member	01/02/2003 – 31/01/2007	0	Part time
John Loughhead	Member	01/04/2003 – 31/03/2006	6,000	Part time
Keith O'Nions	Member	01/04/2003 – 31/03/2007	0	Part time
Equal Opportunities Commission				
Fiona Cannon	Member	09/02/2003 – 08/02/2006	1,608	Part time
Jeannie Drake	Member	09/02/2003 – 08/02/2006	1,608	Part time
Surinder Sharma	Member	09/02/2003 – 08/02/2006	1,608	Part time
Jennifer Watson	Deputy(Chairman)	01/06/2003 – 31/05/2006	16,835	Part time
Ethnic Minority Business Forum				
Syed Haider Imam	Member	02/07/2003 – 01/07/2005	4,800	Part time
Mei Sim Lai	Member	02/07/2003 – 01/07/2005	4,800	Part time
Adeeba Malik	Member	02/07/2003 – 01/07/2005	4,800	Part time
Monder Ram	Member	02/08/2003 – 02/08/2005	4,800	Part time
Askar Sheibani	Member	02/07/2003 – 01/07/2005	4,800	Part time
Yvonne Thompson	Chairman	01/07/2003 – 01/07/2004	4,800	Part time
Hearing Aid Council				
Mark Georgevic	Member	01/01/2003 – 31/12/2005	4,738	Part time
Maurice Robert Hawthorne	Member	01/01/2003 – 31/12/2005	4,738	Part time
Christopher Gerard Hughes	Chairman	01/09/2003 – 31/08/2006	9,476	Part time
Margaret Hughes	Member	01/01/2003 – 31/12/2005	4,738	Part time
Huw Thomas	Member	01/10/2003 – 31/12/2006	4,738	Part time
Denise Yates	Member	01/01/2003 – 31/12/2005	4,738	Part time
Industrial Development Advisory Board				
Rosalind Hedley-Miller	Member	01/03/2003 – 28/02/2005	0	Part time
Iain Samuel Robertson	Member	01/06/2003 – 31/05/2006	0	Part time
Juliet Susan Durrant Williams	Member	01/06/2003 – 31/05/2006	0	Part time
Intellectual Property Advisory Committee				
Hector MacQueen	Member	01/01/2003 – 01/08/2005	0	Part time
London & South East Regional Industrial Development Board				
Bryan Davies	Member	01/06/2003 – 31/05/2006	0	Part time
Gill Gurbrinder	Member	01/07/2003 – 30/06/2006	0	Part time
Jim Hicks	Member	01/07/2003 – 30/06/2006	0	Part time
John McCready	Chairman	01/01/2003 – 31/12/2005	0	Part time
Inder Jeet Sodhi	Member	01/07/2003 – 30/06/2006	0	Part time
Graeme Wyles	Member	01/01/2003 – 31/12/2004	0	Part time
Measurement Advisory Committee				
Peter Bleasdale	Member	01/05/2003 – 30/04/2006	0	Part time
Richard Freeman	Member	01/05/2003 – 30/04/2006	0	Part time
Janet Townsend	Member	01/05/2003 – 30/04/2006	0	Part time
John Tyrer	Member	01/05/2003 – 30/04/2006	0	Part time
Medical Research Council				
David Armstrong	Member	01/08/2003 – 31/07/2006	8,000	Part time
Colin Blakemore	Chief Executive	01/10/2003 – 30/09/2007	110,000	Full time
Peter Fellner	Member	01/08/2003 – 31/07/2007	6,000	Part time
Ian MacLennan	Member	01/08/2003 – 31/07/2004	8,000	Part time
Nancy Rothwell	Member	01/08/2003 – 31/07/2004	8,000	Part time

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
National Consumer Council				
Mark Boleat	Member	01/01/2003 – 31/12/2005	10,481	Part time
Stephen Costello	Member	01/01/2003 – 31/12/2005	10,481	Part time
Andrew Dilnot	Member	01/07/2003 – 30/06/2008	10,481	Part time
Graeme Millar	Member	01/05/2003 – 30/04/2006	10,481	Part time
Vivienne Sugar	Member	01/04/2003 – 31/03/2007	10,481	Part time
Natural Environment Research Council				
John Beddington	Member	01/08/2003 – 31/07/2006	6,000	Part time
Michael Depledge	Member	15/09/2003 – 31/07/2006	0	Part time
Sara Parkin	Member	01/08/2003 – 31/07/2006	6,000	Part time
Judith Petts	Member	01/08/2003 – 31/07/2006	6,000	Part time
David G Roberts	Member	01/08/2003 – 31/07/2006	6,000	Part time
North East Industrial Development Board				
Christopher Gill	Member	01/01/2003 – 31/12/2005	0	Part time
Dorothy Marshall	Member	01/01/2003 – 31/12/2005	0	Part time
Lorna Moran	Chairman	01/01/2003 – 31/12/2005	0	Part time
Anne Reece	Member	01/01/2003 – 31/12/2005	0	Part time
Simon Still	Member	01/01/2003 – 31/12/2005	0	Part time
North West Development Agency				
Joseph Dwek	Member	14/12/2003 – 13/12/2006	7,775	Part time
Dave McCall	Member	14/12/2003 – 13/12/2006	7,775	Part time
North West Industrial Development Board				
Raymond Charles McManus	Member	01/08/2003 – 31/07/2006	0	Part time
Ruth Isabel Port	Member	01/08/2003 – 31/07/2006	0	Part time
Eva Wisemark	Member	01/09/2003 – 31/08/2006	0	Part time
Office of Fair Trading Board				
Allan Asher	Member	01/05/2003 – 31/03/2008	15,000	Part time
Norman Blackwell	Member	01/04/2003 – 31/03/2008	15,000	Part time
Christine Farnish	Member	01/04/2003 – 31/03/2008	15,000	Part time
Richard Whish	Member	01/04/2003 – 31/03/2007	15,000	Part time
Rosalind Wright	Member	01/04/2003 – 31/03/2007	15,000	Part time
One North East				
John Cuthbert	Member	14/12/2003 – 13/12/2006	7,775	Part time
Margaret Fay	Chairman	14/12/2003 – 13/12/2006	48,876	Part time
Particle Physics and Astronomy Research Council				
George Gray	Member	01/04/2003 – 31/03/2005	6,000	Part time
Dewi Lewis	Member	01/04/2003 – 31/03/2006	6,000	Part time
Keith Mason	Member	01/04/2003 – 31/03/2005	6,000	Part time
Anneila Sargent	Member	01/04/2003 – 31/03/2007	6,000	Part time
Persons Hearing Consumer Credit Licensing Appeals				
Nick Baxter	Member	26/11/2003 – 26/11/2006	500	Part time
James Behrens	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Anthony Bradley	Chairman	23/10/2003 – 15/10/2006	2,000	Part time
Rodney Brazier	Chairman	23/10/2003 – 15/10/2006	2,000	Part time
John Bridge	Member	26/11/2003 – 26/11/2006	500	Part time
Alexander Dalgleish	Member	26/11/2003 – 26/11/2006	500	Part time
Vernon Fuller	Member	26/11/2003 – 26/11/2006	500	Part time
Brian Harvey	Member	26/11/2003 – 26/11/2006	500	Part time
Robert McCreadie QC	Chairman	23/10/2003 – 15/10/2006	2,000	Part time
Barbara Marsh	Member	26/11/2003 – 26/11/2006	500	Part time
Keith Rowley QC	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Miriam Scott	Member	26/11/2003 – 26/11/2006	500	Part time

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Louisa Service OBE	Member	26/11/2003 – 26/11/2006	500	Part time
Joan Stone	Member	26/11/2003 – 26/11/2006	500	Part time
Sue Ward	Member	26/11/2003 – 26/11/2006	500	Part time
Tony Wilding	Member	26/11/2003 – 26/11/2006	500	Part time
Peter Wulwik	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Persons Hearing Estate Agents Appeals				
Nick Baxter	Member	26/11/2003 – 26/11/2006	500	Part time
James Behrens	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Anthony Bradley	Chairman	23/10/2003 – 15/10/2006	2,000	Part time
Rodney Brazier	Chairman	23/10/2003 – 15/10/2006	2,000	Part time
John Bridge	Member	26/11/2003 – 26/11/2006	500	Part time
Alexander Dalgleish	Member	26/11/2003 – 26/11/2006	500	Part time
Vernon Fuller	Member	26/11/2003 – 26/11/2006	500	Part time
Brian Harvey	Member	26/11/2003 – 26/11/2006	500	Part time
Robert McCreadie QC	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Stuart McDonald	Member	26/11/2003 – 26/11/2006	500	Part time
Barbara Marsh	Member	26/11/2003 – 26/11/2006	500	Part time
Keith Rowley QC	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Miriam Scott	Member	26/11/2003 – 26/11/2006	500	Part time
Louisa Service OBE	Member	26/11/2003 – 26/11/2006	500	Part time
Joan Stone	Member	26/11/2003 – 26/11/2006	500	Part time
Sue Ward	Member	26/11/2003 – 26/11/2006	500	Part time
Tony Wilding	Member	26/11/2003 – 26/11/2006	500	Part time
Peter Wulwik	Chairman	15/10/2003 – 15/10/2006	2,000	Part time
Postal Services Commission				
(Peter) Graham Corbett	Chairman	01/04/2003 – 31/03/2004	72,424	Part time
Janet Lewis-Jones	Member	01/04/2003 – 31/03/2006	15,721	Part time
Royal Mail Holding Plc				
Adam Crozier	Chief Executive	03/02/2003 – 02/02/2004	500,000	Full time
David Fish	Non-executive director	01/01/2003 – 31/12/2005	30,000	Part time
Richard Handover	Non-executive director	01/01/2003 – 31/12/2005	30,000	Part time
Mike Hodgkinson	Non-executive director	01/01/2003 – 31/12/2005	30,000	Part time
Tony McCarthy	Member	06/01/2003 – 05/01/2004	300,000	Full time
John Neill	Non-executive director	01/01/2003 – 31/12/2005	30,000	Part time
Rosemary Thorne	Non-executive director	26/03/2003 – 25/03/2004	30,000	Part time
Elmar Toime	Deputy(Chairman)	03/03/2003 – 02/03/2004	500,000	Full time
Robert Wigley	Non-executive director	01/04/2003 – 31/03/2006	30,000	Part time
Scottish Consumer Council				
Kay Blair	Member	01/06/2003 – 31/05/2008	800	Part time
Elizabeth Breckenridge	Member	01/06/2003 – 31/05/2008	800	Part time
Ann Clark	Member	01/11/2003 – 31/05/2007	800	Part time
Neil Edwards	Member	01/11/2003 – 31/05/2007	800	Part time
John Hanlon	Member	01/11/2003 – 31/05/2007	800	Part time
Peter Hunter	Member	01/06/2003 – 31/05/2008	800	Part time
Alan Hutton	Member	01/06/2003 – 31/05/2008	800	Part time
Adrienne Kelbie	Member	01/06/2003 – 31/05/2008	800	Part time
Ashok Khindria	Member	01/06/2003 – 31/05/2008	800	Part time
Isabelle Low	Member	01/06/2003 – 31/05/2008	800	Part time
Mukami McCrum	Member	01/06/2003 – 31/05/2008	800	Part time
Graeme Millar	Chairman	01/05/2003 – 30/04/2006	16,192	Part time
Drew Ratter	Member	01/06/2003 – 31/05/2008	800	Part time

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
Small Business Council				
Grant Burton	Member	01/07/2003 – 30/06/2005	4,800	Part time
Elsa Caleb	Member	01/07/2003 – 30/06/2005	4,800	Part time
Peter Donaldson	Member	01/07/2003 – 30/06/2005	4,800	Part time
Lorraine Gradwell	Member	31/07/2003 – 30/06/2005	4,800	Part time
Teresa Graham	Member	01/07/2003 – 30/06/2005	4,800	Part time
Paul Harrod	Member	01/07/2003 – 30/06/2004	4,800	Part time
Caroline Hughes	Member	01/07/2003 – 30/06/2005	4,800	Part time
Scott Johnson	Member	01/07/2003 – 30/06/2005	4,800	Part time
Monder Ram	Member	01/07/2003 – 30/06/2005	4,800	Part time
Louise Shafar	Member	01/07/2003 – 30/06/2005	4,800	Part time
Small Business Investment Task Force				
Rory Earley	Member	01/10/2003 – 30/09/2006	4,800	Part time
Peter Ibbetson	Member	11/10/2003 – 30/09/2005	4,800	Part time
Valerie Jolliffe	Member	01/10/2003 – 30/09/2006	4,800	Part time
Christina McComb	Member	11/10/2003 – 30/09/2005	0	Part time
Derek Mapp	Member	11/10/2003 – 30/09/2005	0	Part time
Jennifer O'Neil	Member	01/10/2003 – 30/09/2006	4,800	Part time
Craig Pickering	Member	01/10/2003 – 30/09/2006	4,800	Part time
Steve Sharratt	Member	01/10/2003 – 30/09/2006	4,800	Part time
Sarabjeet Soar	Member	11/10/2003 – 30/09/2005	4,800	Part time
Steven Walker	Member	11/10/2003 – 30/09/2005	4,800	Part time
Mike Young	Member	11/10/2003 – 30/09/2005	0	Part time
South East England Development Agency				
Robert Anderson	Member	14/12/2003 – 13/12/2006	7,775	Part time
Peter Jones	Member	14/12/2003 – 13/12/2006	7,775	Part time
Mary McAnally	Member	01/11/2003 – 13/12/2006	7,775	Part time
Peter Read	Member	01/11/2003 – 13/12/2006	7,775	Part time
Philip Wood	Member	14/12/2003 – 13/12/2006	7,775	Part time
South West Industrial Development Board				
Sue Astbury	Member	01/01/2003 – 31/12/2005	0	Part time
Alan Peter Courts	Member	01/01/2003 – 31/12/2005	0	Part time
Denise Major	Member	01/01/2003 – 31/12/2005	0	Part time
Richard Morgan	Member	01/01/2003 – 31/12/2005	0	Part time
Nigel Randall	Member	01/01/2003 – 31/12/2005	0	Part time
South West of England Regional Development Agency				
Catherine Bakewell	Member	14/12/2003 – 13/12/2006	7,775	Part time
Duncan Hames	Member	14/12/2003 – 13/12/2006	7,775	Part time
Christine Reid	Member	14/12/2003 – 13/12/2006	7,775	Part time
Sustainable Energy Policy Advisory Board				
Bernard Bulkin	Member	15/12/2003 – 14/12/2006	400	Part time
John Chesshire	Member	15/12/2003 – 14/12/2006	400	Part time
Eileen Claussen	Member	15/12/2003 – 14/12/2006	400	Part time
John Collins	Chairman	15/12/2003 – 14/12/2006	1,800	Part time
Paul Ekins	Member	15/12/2003 – 14/12/2006	400	Part time
Dieter Helm	Member	15/12/2003 – 14/12/2006	400	Part time
Nicholas Jenkins	Member	15/12/2003 – 14/12/2006	400	Part time
Margaret Mogford	Member	15/12/2003 – 14/12/2006	400	Part time
Justin Mundy	Member	15/12/2003 – 14/12/2006	400	Part time
United Kingdom Atomic Energy Authority				
Dipesh J Shah	Chief Executive	15/11//2003 – 14/11/2006	165,000	Full time

Name of appointee	Position	Period of Current Appointment	Remuneration (£ pa)	Time Input (days pa)
UK Chemical Weapons Convention National Authority Advisory Committee				
John Marriott	Member	28/03/2003 – 28/03/2006	0	Part time
Welsh Consumer Council				
Stephen Delahaye	Member	01/10/2003 – 30/09/2004	900	Part time
Carys Evans	Member	01/10/2003 – 30/09/2004	900	Part time
Anne Morgan	Member	01/10/2003 – 30/09/2004	900	Part time
Christopher Neary	Deputy (Chairman)	01/01/2003 – 31/12/2005	900	Part time
Thelma Parry	Member	01/01/2003 – 31/12/2005	900	Part time
Vivienne Sugar	Chairman	01/04/2003 – 31/03/2007	6,902	Part time
West Midlands Industrial Development Board				
Suresh Advani	Member	01/02/2003 – 31/12/2005	0	Part time
Mark Day	Member	01/01/2003 – 31/12/2005	0	Part time
David Grove	Chairman	01/01/2003 – 31/12/2005	0	Part time
David Lovatt	Member	01/01/2003 – 31/12/2005	0	Part time
Howard Marshall	Member	01/01/2003 – 31/12/2005	0	Part time
Peter Michael Matthews	Member	01/02/2003 – 31/12/2005	0	Part time
Paramjit Paul Singh	Member	01/02/2003 – 31/12/2005	0	Part time
Michael John Smith	Member	01/02/2003 – 31/12/2005	0	Part time
Michael Wilson	Member	01/02/2003 – 31/12/2005	0	Part time
Womens National Commission				
Farkhanda Chaudhry	Member	01/01/2003 – 31/12/2004	0	Part time
Barbara Erwin	Member	01/01/2003 – 31/12/2004	0	Part time
Mandana Hendessi	Member	01/01/2003 – 31/12/2004	0	Part time
Ann Hope	Member	01/01/2003 – 31/12/2004	0	Part time
Anne Pridmore	Member	01/01/2003 – 31/12/2004	0	Part time
Mary-Ann Stephenson	Member	01/01/2002 – 31/12/2004	0	Part time
Jenny Watson	Deputy Chair	01/01/2003 – 31/12/2004	0	Part time
Yorkshire Forward				
Robert Boucher	Member	14/12/2003 – 13/12/2006	7,775	Part time
Nicholas Dakin	Member	14/12/2003 – 13/12/2006	7,775	Part time
Stella Guy	Member	14/12/2003 – 13/12/2006	7,775	Part time
Terry Hodgkinson	Chairman	14/12/2003 – 13/12/2006	48,876	Part time
John Spencer	Member	14/12/2003 – 13/12/2006	7,775	Part time
Yorkshire/Humberside & East Midlands, Industrial Development Board				
Neil Graham Adnitt	Chairman	01/01/2003 – 31/12/2004	0	Part time
David Arthur Garside	Member	01/03/2003 – 28/02/2005	0	Part time
James Alexander (Sandy) Gillan	Member	01/06/2003 – 31/05/2006	0	Part time
Corinne Holmes	Member	01/01/2003 – 31/12/2005	0	Part time
Nigel Pritchard	Member	01/06/2003 – 31/05/2006	0	Part time
Terry George Richardson	Member	01/03/2003 – 28/02/2006	0	Part time
Sarah Thrippleton	Member	01/01/2003 – 31/12/2005	0	Part time

Annex C:

Managing the Department

C1 Electronic Service Delivery
C2 Better Regulation
C3 Investment and Asset Management
C4 Capital Modernisation Fund
C5 Invest to Save Budget
C6 Public Accounts Committee Reports
C7 Environmental Performance
C8 Health and Safety Report

C1 ELECTRONIC SERVICE DELIVERY

Service	Enabled now*	Enabled by end of 2004	Enabled by end of 2005
SMALL BUSINESS SERVICE:			
Provision of information and advice to SMEs via the SBS '**Gateway**' website[1] and associated distributed call system (0845 6009006).	✔		
Grant for Research & Development (formerly Smart[2])			
▼ Dedicated web pages. Application form and guidance notes for micro-projects, feasibility studies and development projects can be downloaded, and hard copies of literature and forms can be ordered.	✔		
▼ Electronic payment of Smart and Grant for R&D awards.	✔		
▼ A facility to make applications online via a secure location on the SBS Extranet.	✖	✖	✔
▼ A secure site on the SBS Extranet handling confidential technical advice on Smart projects and speed up its transmission. Around 30 external "adviser organisations" would be able to post advice to the site.	✖	✖	✔
[These two ESD facilities are dependent on a secure method of handling confidential technical advice]			
Innovation Capability Grant			
Application form and guidance notes for applicants via the website.	✔		
Enterprise Grants[3]			
Electronic availability of information and application forms. Grant payments made electronically via BACS.	✔		
Inside UK Enterprise (IUKE)[4]			
Information and visit booking requests via the website.	✔		
Benchmark Index[5]			
Benchmarking health check available on the website.	✔		
CONNECT			
Best Practice information and ordering service available on website.[6]	✔		
Knowledge Transfer Partnerships[7]			
Information and application forms via the website.	✔		
STEP[8] (part-funded by DTI)			
Online information and registration	✔		
Small Firms Loan Guarantee (SFLG) scheme			
▼ Web page with scheme details on www.businesslink.org.	✔		
▼ New SFLG booklet covering revisions to the scheme to be made available as a download from the website.	✖	✔	
▼ Communication via e-mail.	✔		
▼ Most payments under guarantee made to lenders by BACS.	✔		
▼ Ongoing premium payments for large loans made electronically.	✔		
REGIONAL SELECTIVE ASSISTANCE (RSA)[9]:			
Electronic availability of information and application forms. Grant payments made electronically via BACS.	✔		

1 www.businesslink.gov.uk
2 www.businesslink.gov.uk/r-d
3 www.businesslink.gov.uk/enterprisegrants
4 www.iuke.co.uk
5 www.benchmarkindex.com
6 www.connectbestpractice.com
7 www.ktponline.org.uk
8 www.step.org.uk
9 www.dti.gov.uk/support/rsa

Service	Enabled now*	Enabled by end of 2004	Enabled by end of 2005
BUSINESS SUPPORT[10]:			
Online Business Support Directory – provides information on a range of support products.	✔		
THE PATENT OFFICE[11]:			
Renewals of Patents (receipt of applications and issuing certificate).	✔		
Renewals of Trade Marks and Designs (receipt of applications and issuing certificate).	✔		
New applications for Trade Marks.	✔		
New applications for Patents.	✖	✔	
General public search facility (Patents, Trade Marks and Designs).	✔		
WEIGHTS AND MEASURES[12]:			
Type approval and calibration; provision of metrology training.	✖ (Part)	✖ (Part)	✔
SCIENTIFIC RESEARCH:			
Information on opportunities in scientific research and training and on Research Council[13] portfolios.	✔		
Submission of research grant applications.	✔ (Part)	✔ (Full)	
SCIENCE & TECHNOLOGY:			
The Office of Science & Technology Promotes UK Science & Technology through a variety of on-line channels.[14]	✔		
LINK[15]			
Collaborative Research Scheme website.	✔		
The 'Globalwatchonline' website[16] provides UK businesses with up to the minute data on technology developments worldwide.	✔		
BIOTECHNOLOGY:			
Provision of information about biotechnology and the delivery of Government services to biotechnology companies through a Government-wide biotechnology portal – 'i-bio'.[17]	✔		
CONSUMER ADVICE:			
Provision of information on a wide range of consumer issues via 'Consumer Gateway'.[18]	✔		
'Consumer Direct' national consumer helpline. To be operational in 'pathfinder' areas by summer 2004 – full national roll-out by 2006-07.	✖ (Part)	✖ (Part)	✖
National Debtline – website[19] and call service (0808 808 4000).	✔		
ENERGY GROUP:			
E-enablement of the following services under consideration: Statistics publishing, Domestic fuels, Quarterly fuels, Key data, Consultation, Overhead line applications, Way-leave applications, Power station applications, On-line grant applications, Climate control, Core processes.	✖ (Part)	✖ (Part)	✖

10 www.businesslink.gov.uk/bdotg/action/BSDFinder
11 www.patent.gov.uk
12 www.nwml.gov.uk
13 www.research-councils.ac.uk ; www.bbsrc.ac.uk ; www.cclrc.ac.uk ; www.epsrc.ac.uk ; www.esrc.ac.uk ; www.mrc.ac.uk ; www.nerc.ac.uk ; www.pparc.ac.uk
14 www.ost.gov.uk ; www.dti.gov.uk/ostinternational ; www.foresight.gov.uk ; www.set4women.gov.uk ; www.researchersforum.gov.uk ; www.cst.gov.uk
15 www.dti.gov.uk/ost/link
16 www.globalwatchonline.com
17 www.i-bio.gov.uk
18 www.consumer.gov.uk
19 www.nationaldebtline.co.uk

Service	Enabled now*	Enabled by end of 2004	Enabled by end of 2005
OIL & GAS[20]:			
North Sea production reporting.	✔		
Well Operations and Notifications System.	✔		
UK Oil Portal[21]			
▼ Environmental consents.	✔		
▼ Decommissioning North Sea platforms.	✖	✔	
▼ Pipeline consents.	✖	✖	✔
▼ Awarding North Sea licences.	✖	✔	
▼ Environmental inspections.	✖	✔	
▼ Public release of data.	✔		
▼ Supply chain database.	✔		
▼ Web services.	✖	✔	
COAL HEALTH CLAIMS[22]:			
Information about compensation schemes; claims processing.	✔		
EXPORT LICENCES:			
Applications for standard individual export licences.[23]	✔		
Applications for open individual export licences.	✖ (Part)	✖ (Part)	✔
EMPLOYMENT RELATIONS:			
ER website[24]: Provision of information for employers, workers, advisers and researchers on a broad range of employment relations topics.	✔		
Partnership at Work Fund[25]			
▼ Information.	✔		
▼ New applications.	✖ (Part)	✔	
Work-Life Balance Challenge Fund[26]			
▼ Information.	✔		
▼ New applications.	✔		
Work and Parents Taskforce website.[27]	✔		
Employment Agency Standards[28]			
Electronic information via the ER website.	✔		
Electronic complaints service.	✔		
EMPLOYMENT TRIBUNALS[29]:			
Applications to employment tribunals.	✔		
ADVISORY, CONCILIATION & ARBITRATION SERVICE[30]:			
On-line request for assistance via e-mail communication direct with Acas staff (individual and collective conciliation and advice).	✔		
Web-based provision of Acas free publications on good practice.	✔		
Web-based provision of Acas priced publications on good practice.	✔		
Web-based service to purchase Acas publications on-line.	✔		
Foreign language versions of core Acas publications on the website.	✔		

20 www.og.dti.gov.uk
21 www.og.dti.gov.uk/portal
22 www.dti.gov.uk/coalhealth ; www.coalclaims.com
23 www.elvis.dti.gov.uk
24 www.dti.gov.uk/er
25 www.dti.gov.uk/partnershipfund
26 www.dti.gov.uk/work-lifebalance
27 www.workandparentstaskforce.gov.uk
28 www.dti.gov.uk/er/a1gency
29 www.employmenttribunals.gov.uk
30 www.acas.org.uk

Service	Enabled now*	Enabled by end of 2004	Enabled by end of 2005
Acas Arbitration Scheme for unfair dismissal cases.	✖ (Part)	✔	
Web-based service to allow on-line bookings for Acas events.	✖ (Part)	✔	
Dispute and problem solving support tools.	✖ (Part)	✔ (Part)	
Web-based "helpline":			
Phase 1: A basic web-based system.	✔		
Phase 2: The intention is to develop and implement a fully interactive service which will represent a real alternative to our voice-based helplines.	✖	✖	✔
Web-based on-line learning facility for Acas courses on good employment practice. A three phase project is planned:	✖ (Part)	✖ (Part)	✔
Phase 1: Translate course on discipline and grievance handling into e-learning medium using active server page system (ASP) technology.			
Phase 2: Evaluate and then move forward to provide further courses on absence management, written statements, and general module on employing people. Consider payment options for service.			
Phase 3: Tie in with digitalised helpline service.			
National telephone helpline service (08457 47 47 47).	✔		
Tailored Interactive Guidance on Employment Rights (**TIGER**)[31]. Interactive guidance on specific areas of rights/obligations, enabling users to access only the information that relates to their own needs and circumstances. TIGER currently provides guidance on the National Minimum Wage (NMW) and maternity, paternity and adoption leave rights. Further guidance will be progressively added.	✔		
INSOLVENCY SERVICE[32]:			
Intelligent Interactive Questionnaire (IIQ) for bankrupts to complete on line.	✔		
Electronic petition for bankruptcy.	✖	✖	✔
Provision of information on FAQ's etc by way of leaflets (also available in Urdu and Cantonese) on The Service's website.	✔		
Telephone interviewing for bankrupts.	✔		
Online access for the Insolvency Practitioners (IP's) to view the estate accounts of insolvents whose affairs are being dealt with by the IP's.	✔		
Full e-Banking service.	✖	✖	✖
[Dependant on development of replacement financial systems after 2005]			
Online access for citizens and businesses to the Individual Insolvency Register (IIR). This will e-enable public searches of bankrupts on the IIR.	✖	✔	
E-processing redundancy payments services for Insolvency Practitioners. Application forms are available electronically. Payment is already electronic, via BACS.	✖ (Part)	✖ (Part)	✔
[Plans for full e-processing currently under review following the move of the Redundancy Payments Service[33] to the Insolvency Service.]			
Interactive ready reckoner for calculating entitlement. [34]	✔		

31 www.tiger.gov.uk
32 www.insolvency.gov.uk
33 www.dti.gov.uk/er/redundancy
34 www.dti.gov.uk/er/redundancy/ready

Service	Enabled now*	Enabled by end of 2004	Enabled by end of 2005
COMPANIES HOUSE[35]:			
Free information available on company details and disqualified directors.	✔		
Chargeable information for all company data and documents purchasable on account via subscription service.[36]	✔		
Key company information (accounts, annual return, company reports) purchasable on a web site by credit card.	✔		
Bulk electronic information (data and images) supplied to major customers on tape.	✔		
New company incorporations service for company agents implemented October 2001. (Intermediaries account for 90% of company incorporations.)	✔		
Receipt of statutory information, including:			
▼ annual returns	✖ (Part)	✔	
▼ accounts (on-line submission)	✖	✖	✔
▼ changes to company and director details.	✔		
▼ registration of mortgage charges.			
[The actual timing is dependent on the plans of the Land Registries of both England and Wales, and Scotland]	✖ (Part)	✖ (Part)	
Provision of forms.	✔		
General correspondence. E-mail addresses for key, named individuals available now on web site and Call Centre handles general e-mail correspondence.	✔		
Other forms of e-correspondence, to be evaluated as part of IT business systems replacement (now dependent on changes in primary legislation).	✖	✖	✖
Totals	No of Enabled Services **= 64** ESD Capability **= 70%**	No of Enabled Services **= 77** ESD Capability **= 85%**	No of Enabled Services **= 87** ESD Capability **= 96%**

* As at end-March 2004.

35 www.companieshouse.gov.uk
36 www.direct.companieshouse.gov.uk

C2 BETTER REGULATION

The Department is fully committed to the principles of better regulation. The DTI's Better Regulation programme provides a framework of support, advice, guidance and challenge that aims to ensure that the principles of better regulation are put into practice in policy making. It encompasses the Department's role in influencing regulatory developments in Europe and elsewhere in Whitehall on behalf of stakeholders and its efforts to identify regulations that could be simplified or removed.

The Department currently has 60 measures in the Regulatory Reform Action Plan, 18 of which have been completed, 33 are on track and nine have slipped; it has proposed 10 Regulatory Reform Orders, one has already been completed and four are in progress; based on a sample of two three-month snapshots, the Department had 100% compliance with the Regulatory Impact Assessment (RIA) process.

Supporting Policy Makers

In June 2003, the Department launched a Better Policy Making website which brings together guidance on the main areas of the policy-making process, explains the Government's better regulation requirements and gives links to other sources of information. It contains an "Alternatives Toolkit", which was developed in response to the BRTF report on alternatives, as well as advice on areas such as risk management, implementation and guidance. The Department continues to develop tools to support policy makers including guidance on evaluation and the dissemination of evidence.

Cabinet Office guidance on RIAs, which is also available through this website, is supplemented by work undertaken by the Department's Better Regulation Team which ensures RIAs accompany consultation documents, encourages officials to use RIAs early in the policy development process and challenges the quality of RIAs by subjecting them to greater scrutiny.

To complement the website, the Department is developing a Better Policy Making training course which was piloted in 2003.

The Department also produced an aide memoire to enable policy makers to comply with the 'key principles for intervention in the labour market', published by the Chancellor in the 2003 Budget Report. Many of the principles apply to all policy makers, not just those with an interest in the labour market, and the DTI is disseminating the message across the Department. HMT plan to adapt the aide memoire for use by other Departments.

Consultation

In April 2003 the Department published a report on consultation that recommended the integration of improved consultation processes into the Better Policy Making website, monitoring progress with key stakeholders on an annual basis, recruiting a Consultation Champion to provide access to guidance and advice, to monitor progress, facilitate training and spread best practice on consultation and improving consultation processes and having a consistent house-style.

The DTI Strategy launched in September 2003 endorsed the conclusions of the report by committing to overhaul and strengthen the Department's consultation procedures. The recommendations have been implemented including the recruitment of a Consultation Champion on secondment from one of DTI's key stakeholders. Priorities for 2003-04 have included compliance with the Cabinet Office Code of Practice, particularly the 12-week deadline for respondents; the development of a template to achieve clearer, more transparent documents; all consultations deploying at least two methods and better and more timely listing on the main DTI website and UK Online.

Examples of effective consultation include the consultation carried out by the DTI and DEFRA on the European Commission Directives on Waste Electrical and Electronic Equipment and on the Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment which received significant praise from a range of stakeholders on areas such as the clarity of the consultation document and engagement between the policy team and interested parties.

Despite the curtailment of the consultation period on the proposals to prohibit the possession of fireworks, necessary to meet the Prime Minister's commitment on anti-social behaviour, a series of best practice steps were implemented to increase the opportunities for organisations to contribute their views. All stakeholders received early notification of the planned consultation and meetings were held with a range of bodies including faith groups, trade bodies and enforcement bodies. Improvements were made to the final regulations in response to the feedback received.

The consultation document on civil partnerships to provide a legal framework for the recognition of same-sex couples clearly and transparently identified all the options that the Government had considered in its policy development, the arguments for and against each option and an explanation of which option the Government favoured and the reasons why.

The consultation on proposals for the introduction of statutory dispute resolution procedures used a range of methods to ensure participation of those who would be affected. At an early stage a reference group was established with a range of stakeholders to allow greater involvement before formal proposals were made. Alongside the formal written consultation, regional meetings were held and an online consultation was conducted aimed at capturing the views of small businesses.

Seminars, regional roundtables and speaking events were also held during the consultations on the Information and Consultation Directive and *Age Matters*. On the former, the second consultation document published in July 2003 was the first time that the Government agreed a framework for implementing a European Directive on employment law with both the CBI and TUC.

The Northern Ireland Equality Commission promotes the DTI consultation on the equality impact assessment of the NMW as an example of best practice to OGDs. Similarly a key stakeholder praised the Government response to the consultation on the Trading Stamps Regulatory Reform Order and the Chair of the BRTF, David Arculus, commended the Department on the report on the consultation on CICs.

Small Businesses

On 8 January 2004 the SBS published "A government action plan for small business – Making the UK the best place in the world to start and grow a business". The action plan contains a number of specific actions that the government will take to improve the regulatory environment for small businesses. In particular, it will consider extending the decision to make domestic employment law changes on two days a year to other areas of domestic law, introduce "see at a glance" guidance on all new regulations, carry out a review of thresholds, encourage greater use of time limited regulation, evaluate the extent to which advance warning can be given of regulatory change and press for better regulation at European level.

Throughout the year the SBS has promoted to Whitehall Departments the Small Firms Impact Test that was introduced in revised RIA guidance in January 2003. The SBS has developed a database of over 1,000 small businesses that are willing to give views on Government proposals at an early stage of development. The database has been used on some 26 occasions during the first year. This has helped to secure a sound base of compliance on which to build in the future. These initiatives were supported by the SBC which has worked effectively on a number of regulatory issues such as the Water Framework Directive, workplace dispute resolution and employers liability insurance. The Council has also looked at the impact of employment regulation and the effectiveness of informal training on small business.

The SBS also continues to support *smallbusinesseurope*, the UK's SME liaison office in Brussels. The office works with the UK's main business representatives in promoting SME concerns to the EU over the development of new legislation and policies. The new businesslink.gov website is a major element of the cross–departmental Business.gov programme which aims to deliver a step change in the quality of Government on-line services for business. The service is aimed particularly at SMEs to enable them to access the information and services they need to run and develop their business, including compliance with Government tax and regulatory requirements. The service is being launched progressively, following the launch of a trial version at the end of September 2003. The formal launch took place at the CBI conference on 17 November 2003.

European Developments

The Department is making use of the developments such as impact assessments that result from the commitments in Europe on better regulation.

DTI has worked closely with DEFRA in securing a number of improvements to proposed new EU chemicals regulations (known as REACH), aimed at ensuring the new regime is an efficient, cost-effective and workable system that protects human health and the environment and maintains industry competitiveness.

The partial impact assessment and early stakeholder engagement by DEFRA and DTI identified several disproportionately costly elements in the proposed European Regulation on Certain Fluorinated Gases, which strengthened the UK negotiating position in the Environment Council and improved stakeholder understanding of the importance and relevance of the Regulation.

The guidance on Telework (employees using technology to work away from the traditional office environment), published in September 2003, is an example of effective social dialogue at European level leading to a Code of Practice instead of legislation. This is the first EU framework agreement implemented by the social partners themselves in accordance with the national practices and traditions in each Member State.

Regulatory Reform Action Plan

The Government updated its Regulatory Reform Action Plan (RRAP) in December 2003[1]. The DTI now has 60 measures in the RRAP including proposals for regulatory reform and innovative ideas for easing compliance with regulations, for example the introduction of European Companies to simplify cross border operation, removal of the requirements for large shops to notify local authorities of their Sunday opening hours and for local authorities to maintain a register of such notifications; a pilot scheme allowing SMEs to share HR resources; clearer and simpler legal requirements for food and drink price display in bars and restaurants; and better access to mediation: SMEs will be able to use Acas service to resolve employment disputes before they reach a tribunal.

Delivered measures include the publication in January 2004 by the DTI of the first annual statement[2] of changes to domestic employment law and practice on which it leads. This is the first step in adopting common commencement dates for changes to domestic employment law which will now only be implemented on two days each year: 6 April and 1 October.

Better Regulation Task Force Reports

With HMT, the Department followed up the BRTF report on Economic Regulators by holding a working level event to share regulatory good practice and compare experience across sectors, Departments and regulators. Developments in the last year include Ofgem's commitment to carrying out impact assessments and requirements within the Communications Act 2003 for Ofcom to have regard to the better regulation principles in carrying out their duties and functions.

The Department has made significant progress towards meeting the recommendations in the BRTF's 2002 report on employment regulation, some of which had wider implications for the Department. David Arculus, Chair of the BRTF, has praised the Department for its commitment to implementing the recommendations.

1 Found on the Cabinet Office website at www.cabinet-office.gov.uk/regulation/actionplan/index.htm
2 The annual statement can be found on the DTI website at: www.dti.gov.uk/er/regs2004.htm

C3 INVESTMENT AND ASSET MANAGEMENT

The Department's investment strategy and a detailed analysis of tangible fixed assets including planned new investment, asset disposal plans, Private Finance Initiative (PFI) and Public Private Partnership (PPP) contracts and resource impact relating to assets and investments for DTI, its Agencies and NDPBs within the accounting boundary can be found in the Departmental Investment Strategy (the "DIS"). This document also provides details of the Department's approach to procedures and systems for managing investments and assets and can be found on the Department's website[1].

A summary of the Department's capital expenditure by activity can be found in Table A3: Capital Budget, in Annex A of this Report. Up to date asset and investment information may also be obtained by consulting the Departmental Resource Accounts for 2002-03[2].

C4 CAPITAL MODERNISATION FUND

The Capital Modernisation Fund (CMF) aims to support innovative capital projects, through the provision of some or all of the resources they require to proceed. The Fund supports only capital expenditure, and all current costs have to be met by bidders.

Up to 2002-03 there were four rounds of the CMF in which the Department secured £278.9m in relation to 12 projects. Details of these projects can be found in previous EPRs. No new DTI projects were allocated funding during 2003-04.

C5 INVEST TO SAVE BUDGET

The Invest to Save Budget (ISB)[3] aims to finance projects that demonstrate innovation or improvements in public service delivery. It is a joint venture between HMT and the Cabinet Office and supports projects conducted in partnership between two or more public bodies. These projects should have an approximately 80/20 split between current and capital expenditure and bidders are expected to fund at least 25% of project costs from their own resources.

Up to 2002-03 there were five rounds of ISB in which the Department was allocated £17m across 10 projects. Details of these projects can be found in previous EPRs. In round six of ISB, the results of which were announced in February 2004, the Department was allocated £1.25m in support of "the Supplier Route to Government" project. This is intended to improve competition in the Government marketplace by making access for suppliers, particularly SMEs, simpler and easier.

1 www.dti.gov.uk
2 www.dti.gov.uk/expenditureplan/dtiacc0203.pdf
3 For additional information on the ISB see www.isb.gov.uk

C6 PUBLIC ACCOUNTS COMMITTEE REPORTS

The Public Accounts Committee (PAC) published two reports in the Department's area of responsibility in 2003, as detailed below[1].

38th Report of 2002-03: The Regulation of Weights and Measures: 10 July 2003

The PAC's report examined the relevance and enforceability of weights and measures legislation; the regulatory burdens faced by consumers and business; variations in the level and effectiveness of enforcement; and the contribution the legislation makes to achieving consumer protection and fair market objectives. The PAC's main conclusions were that the Department should establish a realistic timetable for essential improvements to outdated and complicated legislation, use the National Performance Framework and Best Value to limit variations in weights and measures enforcement and assess local authority performance in achieving such standards and also be better informed about the burdens created by weights and measures legislation.

The DTI is currently consulting on simplifying the "average system" for making up packages by weight or measure, and intends to consult in the summer on simplifying weights and measures controls on the sale of foodstuffs. The Department introduced performance measures for the Trading Standards service under the National Performance Framework in June 2003.

6th Report of 2003-04: Regional Grants in England: 29 January 2004

The PAC's report examined the impact of the Department's spend on regional grants in England. The Committee concluded that "thirty years" of regional grants had failed to close the gaps between the relative economic performances of the regions, especially in terms of employment. They believe that more flexibility is needed in the criteria to enable the scheme(s) to respond to specific needs of individual regions and more active marketing to increase the number of applications, which halved between the mid 1990s and 2002.

The Committee acknowledged the Department's ongoing review of Business Support, which was reviewing the RSA/EG schemes alongside others. The Committee expects the review to tighten the rationale for regional support.

1 These PAC reports can be found at www.parliament.the-stationery-office.co.uk/pa/cm/cmpubacc.htm

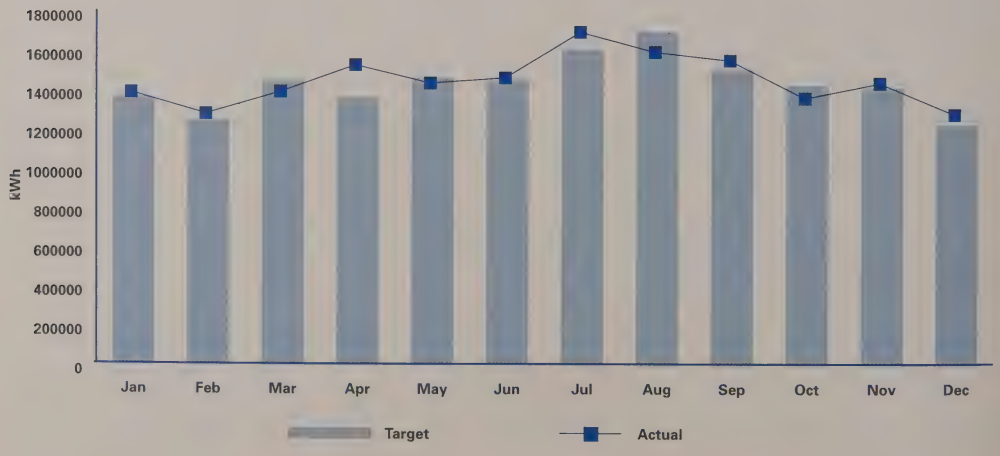
C7 ENVIRONMENTAL PERFORMANCE

The Department continues to contribute to the framework for Sustainable Development in the Government Estate (SDIGE). An estate wide review took place to identify significant sustainable development impacts relative to its operation and the Department and agencies established an electronic web based environmental management system (EMS) to meet one of its targets. This will be ready for launching in DTI HQ in April 2004. The Building and Facilities Management existing ISO 14001 EMS was re-certified in April 2003 and will be extended to cover all the facilities management infrastructure activities of the Information and Workplace Services directorate (IWS) and has been migrated to the electronic version of the EMS.

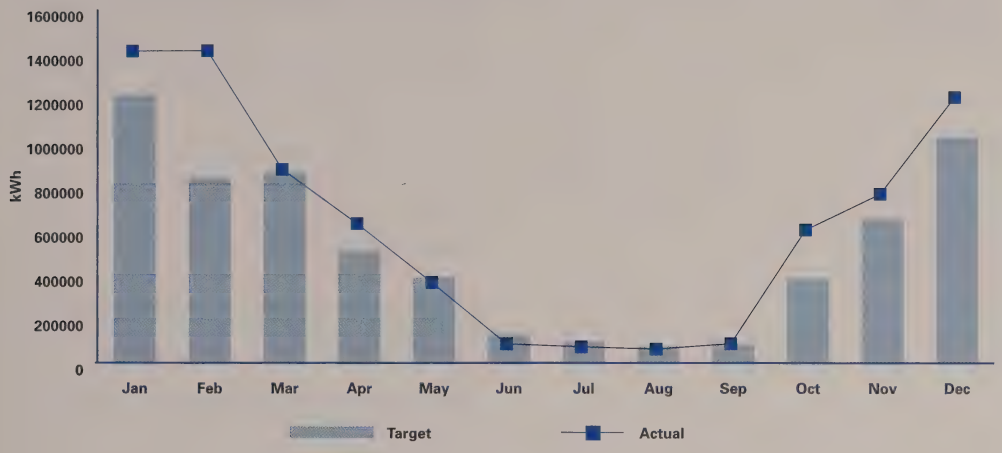
During 2003-04 a number of energy and environmental projects were placed on hold pending finalisation of the Department's accommodation strategy. Those projects that did proceed included: installation of some waterless urinals, water flow restrictors to wash basins; and increase in volumes of recycling of paper waste across the London estate, currently 62.5% of total waste collected by the waste contractor is recycled. Recycling of other waste streams are being examined.

29% of the energy purchased for the DTI HQ Estate is Green Energy, 3% under the carbon dioxide target. The exceptionally hot summer of 2003 resulted in an increase in electricity consumption, exceeding targets by 2%. Water consumption exceeded targets by 38% despite the utility saving measures.

Electricity Consumption 2003



Gas Consumption 2003



Water Consumption 2003



C8 HEALTH AND SAFETY REPORT

The Department is committed to providing a safe working environment for staff, contractors and visitors that is without risk to health. It recognises the importance of working in partnership with staff and contractors to ensure the business is conducted in a way that promotes health and safety.

The Department's Permanent Secretary is ultimately responsible for health and safety in the Department. For Departmental Agencies this responsibility is delegated to Agency Chief Executives who are responsible for all health and safety matters in their Agency. Chief Executives submit an annual report on health and safety to their Agency Steering Boards. For DTI headquarters, health and safety responsibility is delegated to the Director General, Services Group. The Director General submits an annual report on health and safety covering DTI HQ to the Departmental Management Board.

In DTI HQ the Department's Estates and Accommodation Unit (E&A) is responsible for co-ordinating health and safety arrangements for the building environment. E&A proactively ensures that risk assessments, workplace inspections and incident investigations are undertaken and that any identified remedial actions are completed. Its responsibilities extend to staff health and safety training and ensuring that contractors meet their health and safety responsibilities. It acts as the Departmental intelligent customer for building related health and safety and provides information, advice and guidance to Agencies and NDPBs.

Health and safety policies and practices are regularly reviewed against those of OGDs and the private sector. Accident statistics are collated and benchmarked against data published by the Health and Safety Executive.

The Department strongly supports the Government's Revitalising Health and Safety initiative, and strives to ensure that health and safety considerations are properly built into its actions.

The Department has suffered no fatality or dangerous occurrence as defined under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1996 (RIDDOR), nor been served with any health and safety enforcement notice or convicted of any breach of health and safety law. During the year an Asbestos Policy, Action Plan and Long-term Management Plan were put in place following a comprehensive review of the arrangements for managing asbestos. A significant challenge for the coming year will be to ensure that the Department, its Agencies and NDPBs fully comply with new fire safety requirements introduced by the Regulatory Reform (Fire Safety) Order.

The number of RIDDOR reportable accidents, non-reportable accidents, and working days lost for reportable and non-reportable accidents are set out in tables below.

Riddor Reportable Accidents

	2000-2001	2001-2002	2002-2003	2003-2004 (9 months)*
Staff	4	3	3	2
Contractors	3	3	2	0
Rate per 100,000 Employees	77	58	63	–

* April-December 2003

Reported rate of injuries per 100,000 employees as reported to all enforcing authorities in 2001-02 and 2002-03 (provisional) for financial intermediation (except insurance and pension funding) were 146 and 156 respectively, for insurance and pension funding (except compulsory social security) were 42 and 55 respectively, and for activities auxiliary to financial intermediation were 45 and 41 respectively. The Departmental rate is comparable with, or combinations of, these reported rates.

Non-Reportable Accidents

	2000-2001	2001-2002	2002-2003	2003-2004 (9 months)*
Staff	71	85	94	41
Contractors	17	11	15	8
Rate per 100,000 Employees	1,360	1,640	1,964	–

* April-December 2003.

Working days lost for reportable and non-reportable accidents

	2000-2001 (3 months)[a]	2001-2002	2002-2003	2003-2004 (9 months)[b]
Staff	26	37.5	79[c]	18
Contractors	27	28	24	2
Rate per 100,000 employees	–	722	1,157	–

a The Department only started to collect this data during this period (January-March 2001).

b April-December 2003.

c 54 days relate to an accident suffered by a member of staff participating in an outdoor activity on a staff awayday. If this figure is subtracted from the overall figure, the residual number of days (25 days) is comparable with previous years.

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LIST OF ACRONYMS

ACARE	Advisory Council for Aeronautic Research in Europe
ACAS	Advisory, Conciliation and Arbitration Service
AME	Annually Managed Expenditure
APR	Autumn Performance Report
BBSRC	Biotechnology & Biological Sciences Research Council
BCC	British Coal Corporation
BE	British Energy
BERD	Business Enterprise Research and Development
BETTA	Better Electricity Trading and Transmission Arrangement
BL	Business Link
BLO	Business Link Operator
BNFL	British Nuclear Fuels plc
BNSC	British National Space Centre
BRTF	Better Regulation Task Force
BS	British Shipbuilders
BSE	Bovine Spongiform Encephalopathy
CAP	Common Agricultural Policy
CBI	Confederation of British Industry
CCLRC	Central Council for the Laboratory of the Research Councils
CDFI	Community Development Finance Institutions
CH	Companies House
CIC	Community Interest Company
CIS	Community Innovation Survey
CITR	Community Investment Tax Relief
CMF	Capital Modernisation Fund
CMI	Cambridge MIT Institute
COPD	Chronic Obstructive Pulmonary Disease
CRISP	Construction Research and Innovation Strategy Panel
CSN	Consumer Support Network
CSR	Comprehensive Spending Review
CST	Council for Science and Technology
DCMS	Department for Culture, Media and Sport
DDA	Doha Development Agenda
DEFRA	Department for Environment, Food and Rural Affairs
DEL	Departmental Expenditure Limit
DfES	Department for Education and Skills
DfID	Department for International Development
DIS	Departmental Investment Strategy
DNO	Distribution Network Operators
DOH	Department of Health
DSB	Dispute Settlement Body
DTI	Department of Trade and Industry
DTV	Digital Television
DWP	Department of Work and Pensions
EAT	Employment Appeals Tribunal
ECF	Enterprise Capital Fund
ECS	European Company Statute
EEDA	East England Development Agency
ELVIS	Export Licensing Via Internet Service
EMDA	East Midlands Development Agency
EOC	Equal Opportunities Commission
EPR	Expenditure Plans Report
EPSRC	Engineering and Physical Sciences Research Council
ERA	European Research Area
ERDF	European Regional Development Funds
ERDM	Electronic Records and Document Management

ESA	European Space Agency
ESF	European Structural Fund
ESRC	Economic & Social Science Research Council
ESRF	European Synchrotron Radiation Facility
ETS	Employment Tribunals Service
EU	European Union
EUETS	European Union Emissions Trading Scheme
FCO	Foreign and Commonwealth Office
FRC	Financial Reporting Council
FSA	Financial Services Authority
FSU	Former Soviet Union
GDP	Gross Domestic Product
GM	Genetically Modified
GO	Government Office
GVA	Gross Value Added
HE	Higher Education
HEI	Higher Education Institution
HEIF	Higher Education Innovation Fund
HMCE	Her Majesty's Customs and Excise
HMSO	Her Majesty's Stationery Office
HMT	Her Majesty's Treasury
HO	(The) Home Office
HR	Human Resources
IAEA	International Atomic Energy Authority
IAS	International Accounting Standards
IBS	International Benchmarking Study
IGT	Innovation and Growth Team
INSS	(The) Insolvency Service
IR	Inland Revenue
ISB	Invest to Save Budget
ISERBs	Iron and Steel Employees Re-adaption Benefit Scheme
IUKE	Inside UK Enterprise
JESS	Joint DTI and Ofgem Energy Security of Supply Working Group
JEWEL	Joined-Up and more Efficient Working on Export Licensing
JET	Joint European Torus
JIF	Joint Infrastructure Fund
KIC	Knowledge Integration Community
LDA	London Development Agency
LMU	Liabilities Management Unit
MAS	Manufacturing Advisory Service
MIT	Massachusetts Institute of Technology
MMR	Measles, Mumps and Rubella Vaccine
MoD	Ministry of Defence
MPS	Mineworkers Pension Scheme
MRC	Medical Research Council
NAMTEC	National Metals Technology Centre
NAO	National Audit Office
NDA	Nuclear Development Agency
NDPB	Non-Departmental Public Body
NERC	Natural Environment Research Council
NGT	National Grid Transco
NHS	National Health Service
NMS	National Measurement System
NMW	National Minimum Wage
NSSF	National Standardisation Strategic Framework
NWDA	North West Development Agency
NWML	National Weights and Measures Laboratory
NVQ	National Vocational Qualification
OCNS	Office of Civil Nuclear Security
ODPM	Office of the Deputy Prime Minister
OECD	Organisation for Economic Co-operation and Development
Ofcom	Office of Communications
Ofgem	Office of Gas and Electricity Markets
OFR	Operating and Financial Review
OFT	Office of Fair Trading
OGC	Office of Government Commerce
OGD	Other Government Department
OMIS	Online Market Introduction Service
ONE	One North East

ONS	Office of National Statistics
OPBW	Organisation for the Prohibition of Biological Weapons
OPCW	Organisation for the Prohibition of Chemical Weapons
OST	Office of Science and Technology
PAC	Public Accounts Committee
PES	Public Expenditure System
PFI	Private Finance Initiative
PPARC	Particle Physics & Astronomy Research Council
PPP	Public Private Partnership
PPS	Policy Planning Statement
PSA	Public Service Agreement
PSRE	Public Sector Research Establishment
R&D	Research and Development
RAB	Regional Aggregation Body
RC	Research Council
RCUK	Research Councils UK
RDA	Regional Development Agency
RfR	Request for Resources
RIDDOR	Reporting of Injuries, Diseases and Dangerous Occurrences Regulations
ROHS	Restriction of Hazardous Substances
RSA	Regional Selective Assistance
RVCF	Regional Venture Capital Funds
SBC	Small Business Council
SBIT	Small Business Investment Taskforce
SBS	Small Business Service
SCP	Sustainable Consumption and Production
SCS	Senior Civil Service
SDIGE	Sustainable Development in the Government Estate
SE	Societas Europaea (or European Company)
SEB	Science and Engineering Base
SEEDA	South East of England Development Agency
SERC	Science and Engineering Research Council
SET	Science Engineering and Technology
SFLG	Small Firms Loan Guarantee scheme
SI	Statutory Instrument
SITPRO	Simpler Trade Procedures Board
SME	Small/Medium Enterprise
SR	Spending Review
SSC	Sector Skills Council
SSDA	Sector Skills Development Agency
STEM	Science, Technology, Engineering and Mathematics
STEP	Shell Technology Enterprise Programme
SWERDA	South West England Regional Development Agency
TCS	(the) Teaching Company Scheme (replaced by KTPs)
TIGER	Tailored Interactive Guidance on Employment Rights
TRIPS	Trade-Related Aspects of Intellectual Property Rights
TUC	Trades Union Congress
UKAEA	United Kingdom Atomic Energy Authority
UKCS	United Kingdom Continental Shelf
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
VWF	Vibration White Finger
WEEE	Waste Electrical and Electronic Equipment
WMD	Weapons of Mass Destruction
WNC	Women's National Commission
WTD	Working Time Directive
WTO	World Trade Organisation
YF	Yorkshire Forward

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